

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 A

White House race:
George will
do nicely, Page 19

Asiat	3022	Indonesia	803100	Peru	62320
Bahrain	210.450	Israel	553.50	S.Africa	857.00
Belgium	87.98	Italy	11700	Singapore	594.10
Canada	551.20	Japan	7680	Spain	161.45
Cyprus	520.00	London	21.00	Switzerland	125.00
Denmark	102.00	Kuwait	518.500	Taiwan	507.00
Egypt	622.25	Luxembourg	3125.00	USA	572.50
France	107.20	Malaysia	104.25	Thailand	125.00
Germany	104.20	Mexico	125.00	Yokohama	125.00
Greece	125.00	Norway	104.25		
Hong Kong	104.25	Philippines	104.25		
India	80.25	Russia	104.25		

World News

Business Summary

Hijackers of Kuwaiti airliner plan to fly on

Iranian-led hijackers of a Kuwaiti airliner grounded in Iran with about 50 hostages still on board after the hijackers fired five shots at security men. They signalled their intention to take off at midnight local time, reported the Iranian news agency IRNA.

GE profits up by 16% in first quarter

GENERAL ELECTRIC, US industrial, financial and broadcasting conglomerate, reported a 16 per cent rise in profits to \$725m in the first quarter, despite a slight downturn in sales. Page 21

Panama orders arrest of deposed President

Panama ordered the arrest of deposed President Eric Delvalle, in hiding since he tried to sack military leader Manuel Antonio Noriega on February 25. Page 4

COLOROLL, fast-growing UK home furnishings group, is mounting a £207m (£388m) agreed bid for the John Crowther Group, carpets and clothing concern, in one of the largest all-share deals in London since the stock market crash. Page 21

US-EC farms clash

The US and the EC clashed over agricultural subsidies at the start of a conference in Brussels on the world food situation. Page 6

NIKKEL, cash price on the London Metal Exchange lost another £1.00 a tonne to £12.95 a tonne following the \$900 fall on Wednesday, despite suggestions that Fal-

Gulf war toll

Iran and Iraq reported scores of civilians killed in bombing raids and missile attacks which cast a shadow over ceasefire talks between Iranian Deputy Foreign Minister Mohammad Larijani and UN Secretary-General Javier Perez de Cuellar. Page 4

Nickel

Cash Metal (\$000 \$ per tonne)

Third World trade pact

Fifty nations agreed on a system of mutual trade preferences and tariff concessions within the Third World to promote commerce between developing countries. Page 6

Mozambique bomb

Former South African civil rights lawyer Albie Sachs was severely wounded when a bomb wrecked his car in Maputo, Mozambique. Pretoria was accused of trying to assassinate him. Assassination war. Page 20

Chcechoslovak reforms

Czechoslovak leaders were due to consider economic reforms which could lead to significant personnel changes. Page 3

Wall Street

The Dow Jones industrial average closed up 0.50 at 2,062.17. Page 44

Shia ceasefire ignored

Rival Shia Moslem militias killed 29 people and wounded 96 on the third day of street battles for control of south Lebanon, despite an earlier ceasefire agreement.

STERLING closed in New York at DM1.670, ¥125.70, SFr1.3875 and FFfr.6963. It closed in London at DM1.6785 (DM1.6710), ¥125.50 (¥125.25), SFr1.3890 (SFr1.3890), FFfr.6925 (FFfr.6925). Page 37

Italian pilots to strike

Italian pilots announced a nationwide strike on all Alitalia and ATZ flights from April 5-23 in a dispute over pay. The action is expected to disrupt flights to and from Rome's Fiumicino Airport.

STERLING closed in New York at \$1.9750, DM3.9760, ¥228.50 (¥228.50), SFr2.60 (SFr2.59), FFfr.10.6550 (FFfr.10.6225). Page 37

Belgian judge held

Belgian police arrested a judge on suspicion of being involved in swindling at least two banks.

TATE & LYLE, UK cane sugar refiner, saw its shares fall 18p to 749p in London amid market rumours that Tate was poised to launch a \$900m (£482m) takeover bid for Staley Continental, US corn refining and food services group. Page 40

Yeti hunt 'inconvenient'

A British-American expedition aiming to climb an uncharted Himalayan peak and search for the elusive yeti - or Abominable Snowman - in Tibet was told it was inconvenient for them to enter the region.

GOLD FIELDS of South Africa's seven gold mines suffered a 16 per cent decline in combined profits in the quarter to March. Page 4

US consumer confidence continued in March, with leading retailers announcing sales gains of between 5 and 15 per cent. Page 4

BRAZER, British construction company, has extended its \$60 a share takeover offer for Koppers, US building materials group, to April 15.

FENNZOLL, US oil company, which received its \$8m settlement from Texaco yesterday, has adopted a new poison pill preferred stock purchase rights plan.

KLP-AQUITAINE, French state-controlled oil group, has reported lower net earnings of FFfr.1.1m (\$72m) for 1987 compared with FFfr.1.5m. Page 25

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Funeral of girl stoned to death unleashes Israeli anger



BY ANDREW WHITLEY IN JERUSALEM

A THOUSAND-CAR cortege, headlights blazing, passed defiantly through the West Bank city of Hebron yesterday morning. It bore the body of Tirza Porat, the 15-year-old Jewish settler girl who died on Wednesday when the party she was with was attacked by Palestinians.

There was later confusion over the cause of the girl's death. Israeli Radio claimed a leaked army report showed she had not died from being stoned and beaten by the Palestinians but had been shot in the head by Israeli weapons. Reuter reports.

Army investigators were said to have found a bullet in Porat's head from the same weapons that killed two Palestinians in the incident.

The leaked army report also said Palestinians did not fire the weapons, Israel Radio reported.

It said that when Palestinians grabbed the weapons of security guards accompanying the hikars the weapons had no bullets left.

An army spokeswoman said she did not know of the report, and said Porat had died after being stoned by Palestinian villagers.

Mr Yitzhak Shamir, the Prime Minister, delivered the funeral oration of the first Israeli civilian casualty of the Palestinian uprising. The message he gave to the settlers probably soured the death knell on the peace mission of Mr George Shultz, US Secretary of State, who has toured the Middle East this week.

Before the funeral, Jewish settlers attacked the cars and homes of several leading Palestinians in Hawwara, near the town of Betza where the girl died, residents said settlers rampaged through the streets for 20 minutes, breaking car windshields and windows. Soldiers with megaphones ordered residents of Hebron to stay indoors yesterday as the funeral procession passed. Earlier, the army announced it had destroyed four Arab homes in Betza belonging to villagers suspected of involvement in Wednesday's attack.

"The blood of the whole nation is boiling. Every murderous deed unites the people of Israel, strengthens us and ties us to the land," said Mr Shamir. If the Likud leader had ever been tempted to enter into the "peace-for-territory" formula at the heart of Mr Shultz's initiative, that prospect no longer exists. Continued on Page 20



David Mayhew, charged

Leading London broker arrested

By Clive Wolman in London

MR DAVID MAYHEW, a leading partner of Cazenove and Company, one of the City of London's oldest and most respected firms of stockbrokers, was yesterday arrested by police acting on the instructions of the Serious Fraud Office and charged with three offences relating to the Guinness takeover bid for Distillers in April 1986.

The three charges against Mr Mayhew all relate to the acquisition of 10.6m shares in Distillers by a subsidiary or client of Bank Leu of Zurich on the penultimate day of the takeover battle.

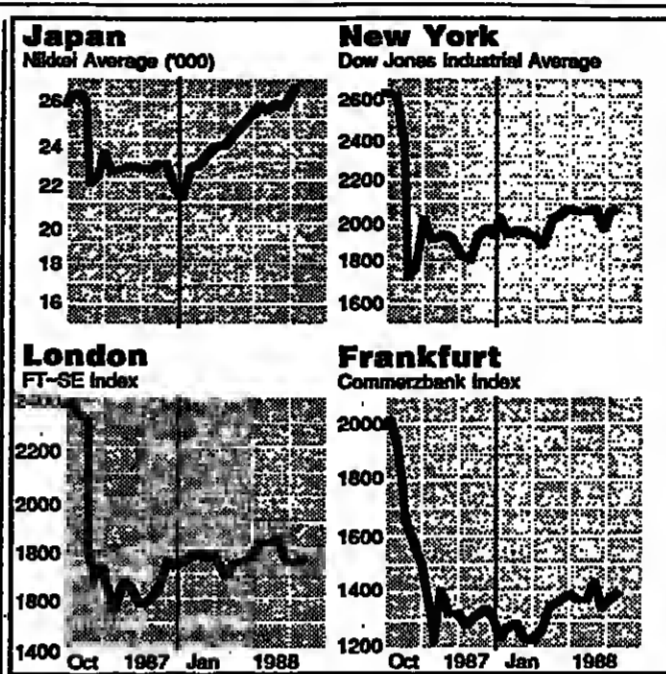
The charges were then assented to by the Guinness bid rather than to a rival bid from the Arryll Group and helped to ensure that Guinness secured the support of more than 50 per cent of Distillers shareholders.

Yesterday's arrest is likely to be seen as being in a fundamentally different category from the seven earlier arrests of key figures in the Guinness saga. Unlike his co-defendants in the Old Bailey trial which is likely to take place late next year, Mr Mayhew has been supported fully by his firm.

Cazenove's conduct during the £2.5bn (\$4.7bn) takeover bid, when it was acting as stockbroker to Guinness, has not yet been the subject of criticism from any of the City authorities.

Mr David Mayhew, aged 47, who lives in Hampshire, will appear before Bow Street magistrates in London today. He was arrested at lunchtime yesterday by fraud squad officers of the Metropolitan Police.

The arrests are the first made under the auspices of the Serious Fraud Office, the new agency set up to investigate and prosecute serious and complex frauds, which took over responsibility



Soviet-Afghan summit declares Geneva pact will be agreed

BY OUR FOREIGN STAFF IN LONDON

MR MIKHAIL GORBACHEV, the Soviet leader, and Afghan President Najibullah boosted optimism yesterday over the withdrawal of Soviet forces from Afghanistan by agreeing that, as far as they were concerned, all obstacles to concluding negotiations in Geneva had been removed.

"There is a certainty that an agreement will be signed on a political settlement. I think that Pakistan and Afghanistan will come to an agreement. And we, with the Americans, will agree to be guarantors. I think," Mr Gorbachev said.

Earlier, a statement issued by the two leaders, who met in the Soviet central Asian city of Tashkent, said the Soviet withdrawal would begin on May 15 if the Geneva agreements were signed quickly.

President Zia-ul-Haq of Pakistan, which has been negotiating the withdrawal of Soviet forces from Afghanistan in Geneva under UN sponsorship, was quoted by the Pakistani news agency last night as saying the Geneva accords were now ready for signing. He has been under increasingly strong domestic pressure to drop reservations about the accords.

However, in Geneva it emerged that Mr Abdul Wakil, President Najibullah's foreign minister and head of his country's negotiating team, had not agreed to sign. He was still objecting to the reference in the accords to the long-disputed border between Afghanistan and Pakistan as "internationally recognised."

Mr Yuri Vorontsov, first deputy Soviet foreign minister, arrived in Geneva yesterday, ostensibly to discuss arms control, but went into an immediate meeting with Mr Wakil.

"The US and the Soviet Union, which are required to act as guarantors to the Geneva accords, informed Mr Diego Cordova, the UN mediator, that the "positive symmetry" they had agreed to observe on military aid to their respective Afghan allies should mean in practice that arms supplies will not continue after the signing of the agreement in Geneva.

However, Mr Javier Perez de Cuellar, the UN Secretary-General, who is expected in Brussels this weekend, is understood to have had reservations about possible future complications from this private US-Soviet "arrangement" under which the Soviets would apparently be agreeing to supply what they had emphatically rejected. In particular he believes it should be made public. He has apparently mooted the idea that at the signing ceremony he make a statement spelling out his understanding of the Geneva agreement.

International action fails to dampen £

BY OUR ECONOMICS AND FOREIGN STAFF

A JOINT move by the Bank of England and West Germany's Bundesbank yesterday failed to prevent sterling from surging to a new two-year high. The Bundesbank was acting on the bank's behalf, while the US Federal Reserve did on Tuesday in New York.

By the end of an active day's trading in Europe, the pound had risen to DM3.1425, against a close on Wednesday of DM3.1550.

Mr Sumita, Governor of the Bank of Japan, said he was optimistic about continued exchange rate stability and said he saw no fundamental change in currency market trends.

Mr Sumita was speaking following the setting of a new all-time record for share prices in Tokyo. The Tokyo Stock Exchange Nikkei stock average yesterday easily broke through its previous record of October 14, to close up 258.05 at 26,792.22.

Trading was fuelled by increased domestic and foreign buying. Japanese investors remain wary about reducing their domestic holdings as they believe the Tokyo market is inherently stronger than foreign markets, while foreign investors have become increasingly encouraged by the resilience of the Tokyo market.

The British central bank and the Bundesbank had early on Tuesday a short-lived success in pushing the pound to around the level of DM3.1400.

Continued on Page 20

City cautious on Barclays \$1.72bn rights issue plan

BY DAVID BARCHARD IN LONDON

BARCLAYS, the UK's second largest bank, is to make the biggest rights issue by a bank in Britain and the second largest of any UK company by raising £21m (£1.72bn) from its shareholders.

Its move has come five months after the stock market crash, which sharply reduced the amount of company cash-raising via rights issues. Figures from the Bank of England show that in the first three months of this year companies raised just £190m through this route. That compares with £470m in the same period a year earlier, £1.5bn in the second quarter of 1987, and £5.1bn and £3.28bn in the third and fourth quarters, respectively.

The news was given a muted welcome in the City of London, which remained unconvinced that Barclays needed to raise funds on such a scale. There were fears that it would mean a serious fall in earnings on the bank's shares.

Barclays share price fell 52p to close at 429p. The shares of other clearing banks also fell, with National Westminster down 22p.

However, this capital strength could be short-lived if Barclays use it, as is widely expected, for an all-out drive to expand its lending and other activities as part of a longer-term strategy to overtake NatWest as the UK's largest bank.

Mr Quinton said the proceeds of the issue would not be used for major acquisitions, but would be largely devoted to boosting Barclays' market share at the expense of the other clearers. The target was 25 per cent or more of the UK banking business.

Barclays is to issue one new share for each two existing shares at a discount of 47 per cent on Wednesday night's closing price of 491p. By going for such a deep discount, Barclays has avoided the need to have the issue underwritten, saving about £22m.

The size of the Barclays issue is likely to have made it harder for any other UK bank to come to the market for additional funds in the near future. This is likely to affect Standard Chartered's plans for a rights issue, probably of around £200m, later this year.

There was some uncertainty in the City yesterday about how specifically Barclays intended to use the funds it was raising, and some surprise that it had not raised some of the additional cash by selling any of its existing operations.

Bank analysts said the issue would dilute earnings on Barclays shares by around 15 per cent next year and might weaken its overall profitability, at least for a while.

Lex, Page 20

LARGEST UK RIGHTS ISSUES

Date	Company	Amount (£m)
October 1987	BP	1,515
April 1988	Barclays	921
August 1987	Blue Arrow	837
May 1987	NatWest	724
July 1987	Midland	700
June 1987	BPCC	630
June 1987	BP	624
April 1985	Barclays	573



Party leader James Kissler, whose war is at last seen to be ending, Page 3

HUNGARY'S LEADERS

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International bankers: Nothing to fear but lack of fear itself 18

Lex: Barclays, Coloroll/Crowther, Markets, Beckitt & Coleman 20

Technology: Hong Kong lends a hand to insatiable gamblers 27

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Foreign & Colonial FT/84/88

EUROPEAN NEWS

De Mita stitches up deal on new Italian coalition

BY JOHN WYLES IN ROME

MR Ciriaco De Mita's bid to form Italy's 48th post-war government moves into its final phase today amid some incredulity about the tactics of his great rival and adversary, Mr Bettino Craxi, the Socialist Party leader.

During the last three, seemingly interminable, weeks in which Mr De Mita has held round after patient round of talks with the other four parties destined to join the Christian Democrats in yet another coalition, many Italians have been waiting for the moment in which the Craxi sleeve would collide with the De Mita whip.

While not all has been sweetness and light, Mr Craxi has been nothing but correct. Today Mr De Mita is expected to meet the Socialist chief and other party leaders to put the finishing touches to the policy programme to which his government would be committed.

Police find body of kidnapped Dutch supermarket chain owner

DUTCH police have found the body of Mr Gerrit-Jan Heijn, a kidnapped businessman, in a wood near the eastern town of Arnhem, solving the Netherlands' longest and most macabre kidnapping, Reuters reports from The Hague.

found some of the ransom money in their possession. The engineer could face life imprisonment if convicted as charged of murder, extortion and kidnapping.

him in a shallow grave. But first he cut off part of the little finger on Heijn's left hand, took his glasses and car keys and later sent them to the executive's family during ransom negotiations.

Banners flap in Ankara as the UK premier flies the flag for Britain, writes Jim Bodgener Thatcher visit delights the Turkish

GIANT portraits of Turkey's revered founder Mustafa Kemal Ataturk and his President Kenan Evren draped on a gasholder looked benevolently out over a ceremony yesterday to mark the start of work on a \$180m gas distribution network expansion and conversion scheme in Ankara.



All smiles: Mrs Thatcher waves to the crowd at a ceremony to mark the start of work on Ankara's gas network. With her is Turkish premier Turgut Ozal

True to protocol, tucked to a plant building nearby were smaller banners portraying UK Prime Minister Mrs Margaret Thatcher and her Turkish host, Mr Turgut Ozal. A crowd of politicians, diplomats, bureaucrats and journalists, basking in the warm spring sunshine, milled about under bunting and balloons as if at a town fête over white gravel chips, red carpets and under a second evening.

UK-Turkish goodwill through Ankara's interest in the repatriation of the released Britons. With Mrs Thatcher backing Britain, her husband was just as active, opening an Ankara business centre and visiting a newly-built water treatment plant by Paterson Candy International. But both Turkish and British officials were careful to damp any hopes of a new award announcement to underpin

Mrs Thatcher's visit, although there are several close to contract stage in the pipeline including a \$250m job to drive a nine kilometre highway through Istanbul's city centre. The city's municipal mayor Mr Bedrettin Dalan may have a surprise up his sleeve regarding the 'build-operate-transfer' (BOT) proposal to build a third Bosphorus bridge, however, when he meets Mrs Thatcher today for lunch and then talks later in the afternoon.

Little surprising came out of the visit on its first day, although Nato and other co-operation in defence manufacturing were left to the evening. Mrs Thatcher remarked on emerging that the talks had been far too short - she may have taken the opportunity to discuss the Alliance in the wake of the European missile agreement during an afternoon visit to President Kenan Evren, who as a former Chief of Staff takes a keen interest

In Nato matters. In the morning, a Turkish Foreign Ministry spokesman made plain Turkey's position following the INF treaty - that Ankara is not interested in any new nuclear weapons commitments, nor moderating the existing capacity on Turkish soil, although conventional weapons are another matter. Human rights, on which the Turks are sensitive, were not discussed. Subjects that were in the morning meeting included the European Community, Cyprus, Middle East relations, Afghanistan and prospects for the Turkish economy. On the EC, Mrs Thatcher gave away little, stressing that Turkey should concentrate on the revival of its Association Agreement first before its full membership application. She welcomed the blossoming of relations between Athens and Ankara after the breakthrough achieved at a mid-summit in January between Mr Ozal and Greek premier Andreas Papandreu. On Cyprus, Mrs Thatcher gave Mr Ozal a full account of her talks last weekend with the new Greek Cypriot president Mr George Vassiliou. However, she stressed the UK position that a settlement for the divided island should be sought within a UN framework. She also emphasised that Mr Vassiliou and Turkish-Cypriot leader Mr Rauf Denktas would have to meet before Britain could get involved. The visit so far has provided no startling demerches, and so far seems unlikely to do so. But it does seem to have achieved its purpose so far, adding another layer to the bedrock of goodwill that already exists between the two countries.

CHIRAC PUBLISHES 'BLACK BOOK' ON SOCIALIST CRONYISM

French poll rivals exchange abuse

BY PAUL BETTS IN PARIS

THE tone of the French presidential election campaign visibly hardened yesterday with the main contenders on the right and the left openly exchanging abuse and accusations. At the same time, the Constitutional Council formally released the list of nine official candidates who will compete in the first round of the election on April 24.

side Mr Jean Tauesson was sympathetic to pro-parliament and South African government lobbyists. At the same time, Mr Michel Drot, a member of the French communications authority and of the venerable Academie Française, has again been caught in the middle of a controversy over his former role as a contributor of Mr Robert Hainant, the right-wing news magazine and owner of Le Figaro.

slighting follows a relatively dull and flat-top in the election campaign during the last few months. The release yesterday by the Constitutional Council of the list of official candidates for the first round has now launched the campaign in its final phase. Apart from the three main candidates - Mr Mitterrand, Mr Chirac and Mr Raymond Barre - other candidates include Mr Andre Lajoinie for the Communists, and Mr Pierre Juquin, the leader of the dissident wing of the Communist party. Others are Mr Jean-Marie Le Pen, the leader of the extreme right National Front, the extreme left candidate Ms Arlette Laguiller, Mr Antoine Waechter for the Greens and Mr Pierre Boussel representing a workers' movement.

ENCOURAGING news for the Irish economy has come with the publication of exchequer returns for the first quarter. Efforts to stabilise the Irish debt of \$28bn seem to be taking effect, with the overall borrowing requirement in the first three months of the year falling to £536m compared to nearly £700m in the same period last year. £57m was borrowed overseas, the lowest quarterly figure for a decade. Exports and tax revenues have both shown healthy growth. When seasonal factors are taken into account, the trade surplus in February reached £223.7m, four times the level in February 1987. An increase in tax revenues is mainly attributed to new collection measures brought in recently. Receipts from the self-employed were £20m ahead of the Budget target for the first quarter. The Minister for Finance, Mr Ray MacSharry, described the quarterly figures as satisfactory. "They indicate that the Government's budget policy is continuing to work and that the Budget targets will be met again this year," he said.

Irish succeed in cutting public sector borrowing

By Kieran Cooke in Dublin

Lower dollar hits Bundesbank profits

BY ANDREW FISHER IN FRANKFURT

WEST Germany's Bundesbank yesterday detailed the extent of the collapse in its profits caused by last year's decline in the dollar. It said its contribution to Federal Government revenues would be only DM 240m compared with DM 7.5bn in 1987. The virtual disappearance of the central bank's profits reflects the continuing drop in the dollar at the end of last year to DM 1.5815 on December 31. Because this was below the US currency's previous low of DM 1.7375 in 1979, the bank was forced to write down the value of its dollar reserves considerably. Without a sizeable contribution from the Bundesbank, the government deficit looks set to rise to some DM 40bn this year

Unemployment falls in West Germany

BY DAVID GOODHART IN BONN

UNEMPLOYMENT in West Germany fell slightly in March but despite recent optimism about higher than expected economic growth, the decline in the jobless number was less than is usual for this time of year. The jobless total dropped 76,400 to 2,444m - down to 9.6 per cent of the workforce from 9.9 per cent in February - but remains slightly higher than the figure this time last year of 2.41m. Although the seasonal drop is usually higher because of the end of winter conditions, the disappointment is partly explained by the very mild winter. Mr Heinrich Franke, the labour office president, said the figures were no cause for rejoicing, but added that at least there had been no marked increase during the first quarter of 1988. Short time working was up last month by 72,876 to 423,597, vacancies were also up 15,635 to 129,658.

Award for FT writer

DAVID MARSE, chief correspondent in Bonn of the Financial Times, and Mr Gerd Kroncker, London correspondent of the Süd-Deutsche Zeitung were awarded prizes for fostering Anglo-German understanding at a ceremony in Cambridge yesterday.

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IBERIA AIRLINES OF SPAIN WARM TO THE EXPERIENCE

Czech leaders begin talks on modest reforms

BY JUDY DEMPSEY IN VIENNA

CZECHOSLOVAK leaders will today consider a package of economic reforms which could lead to significant personnel changes.

The plenum of the central committee of the Communist party will discuss draft laws on state enterprises, agricultural co-operatives and housing, consumer and producers co-operatives. The merging of several ministries, announced last week, will also be considered.

So far Mr Milos Jakes, who became party leader last December, has shown little inclination to press ahead with major structural changes in the economy.

Although the draft bills under discussion are supposed to give some measure of autonomy to enterprises and widen the scope for setting up small-scale private outlets for services, important levers such as prices, wages and foreign trade will remain tightly under the control of the ministries and other central bodies.

Some changes in the state, involving reducing the number of deputy prime ministers and deputy ministers are also expected but independent economists in Prague say these will do little to revive the country's ailing economy, which, apart from Romania,

remains the most highly centralised in eastern Europe.

Meanwhile, Mr Lubomir Strougal, the reform-minded Prime Minister, who has called for structural changes in the economy, is thought to be under pressure to resign. If he did, this would confirm many views that Mr Jakes' repeated calls for *perestroika*, or restructuring, amount to no more than lip service.

Mr Jakes arrived in Budapest yesterday for a one-day "friendly visit" at the invitation of the Hungarian party leader Mr János Kádár, AP reports from Budapest.

The Hungarian Trade Union daily *Nepszabadsag* said in an editorial that the talks between the two Communist party chiefs would cover "all areas of immediate interest", including the "renewal process" in Eastern Europe, and bilateral cooperation.

One of the topics that was scheduled to come under discussion is a controversial joint project of a giant dam and hydroelectric plant on the Danube river which has drawn criticism from environmentalists in both countries.

Hungary's younger leaders jostle to replace Kadar

Whoever succeeds Budapest's veteran chief will face mounting economic problems, writes Judy Dempsey

WHEN Mr János Kádár, Hungary's Communist party leader since November 1956, addresses next month's national party conference, many Hungarians will be asking themselves when he will resign and who will succeed him.

Five or 10 years ago, Mr Kádár was seen as the man who could bind the party together and maintain a national consensus. But today, in his spite of his own determination to stay on for the time being, there is a widespread feeling that the Kádár era has ended and that the time has come for younger leaders and political reforms.

Whoever does succeed the 75-year-old leader will face mounting problems. Apart from the fact that Hungary's economic boom has run into difficulty, the most serious one is flagging morale and disunity within the party.

Until recently, Mr Kádár had a unique ability to keep the party together. In the early period of the economic reform, when the party was deeply split between reformers and conservatives, he was adept at playing off one faction against the other. And unlike those likely to succeed him, Mr Kádár did not fully rely on any one faction.

Today, almost everyone is in agreement that the reforms should continue, and the old demarcation lines between reformers and "hardliners" have been superseded. But there are two recurring questions: how fast should the reforms go and how will they affect the party's leading role? Any new leader will have to tackle these questions.

Mr Imre Pozsgay, the chairman of the Communist-backed Patriotic People's Front and perhaps the most radical of Hungary's leading Communist politi-



In the running (from left): the outspoken reformer Imre Pozsgay, the tough, clever tactician János Berecz, and pragmatic compromise candidate Istvan Horvath

cians, is probably too outspokenly reformist to have much any chance of becoming leader.

His ideas have made him popular among Hungarian people, but they alarm the more orthodox Marxist-Leninists, who believe his programme could destroy the party and anger Moscow.

That is one reason why Mr Pozsgay's support base in the party establishment is so weak. Another is that he never made his way up through Kisz, the Communist youth movement.

Mr János Berecz, the 57-year-old central committee secretary for ideology and propaganda, has little of Mr Pozsgay's popularity and liberalism. Many liberal intellectuals and reformers see him as a bogeyman, continually interfering in the work of the think-tanks and keeping a tight rein on the

media. But his sound Communist credentials and strong power base within the party would make him a serious contender.

He did make his way up through Kisz. He then studied in the Academy of Socialist Sciences in Moscow, worked in the party committee of the Foreign Ministry and edited *Nepszabadsag*, the party daily. Inside and outside the party, he is regarded as a tough politician who has little patience with dissenting voices.

He also appears to be a clever tactician. "Like an opportunist, he considers every step before he supports any section within the party and before he makes any decision. He's always checking the political climate," an acquaintance said.

Mr Istvan Horvath, the 54-year-old interior minister, lacks the ambition

and energy (and guile) of Mr Berecz. But his broadly based network in the party cannot be overlooked.

He is close to Mr Berecz from his Kisz days, and he has a longstanding acquaintance with Mr Pozsgay. (The University of Marjón-Lendvai at Kiskemet, which Mr Pozsgay used to head, is administered by a party committee where Mr Horvath was once secretary.) He has a measure of support from both the provinces and from the party establishment in Budapest, a party member commented.

The polemical tone of his speeches is off-putting for Hungarians outside the party. But Hungarian intellectuals consider him a pragmatic and relatively tolerant interior minister.

Hungarians had at one time considered Mr Karoly Grosz, the 57-year-old prime minister, as a contender for the

party leadership. But his continuing lack of support in the party bodes ill for his chances, and he also remains isolated in the Politburo. Party and non-party liberals doubt his credentials as a genuine reformer even though he has tried to promote the idea of a reformed parliament. He could come to grief politically if he fails to get the economy off the ground.

There is little doubt, however, about his loyalty to the party. When frightened party members in October 1956 hid in the cellars for fear of being lynched by supporters of anti-Moscow uprising, the young Grosz ran around the city giving them bread.

Mr Matyas Szuros, the imaginative and pragmatic central committee secretary for foreign policy who has forged much closer links between Hungary and Western Europe and has reorganised the ministry of foreign affairs, is still considered an outside contender.

So far, Mr Kádár has not groomed a crown prince. In recent years, his support for Mr Berecz and Mr Szuros has vacillated between praise and cold-shouldering. His relationship with Mr Grosz, as one party member put it diplomatically, "cannot be described as even lukewarm".

In the meantime, Mr Kádár continues to surround himself with his old, trusted cohorts who have been with him since 1956. Mr Karoly Nemeth, the party's deputy, Mr Gyorgy Aczél, former ideology boss and guardian of party orthodoxy, Mr Sandor Gaspar, the ageing trade union leader, and Mr Gyorgy Lazar, in charge of party cadres, remain on the top. Many say it is time they too retired, they may only do so when Mr Kádár himself stops down and the real scramble for power begins.

Plenty of glasnost as Muscovites await fruits of perestroika

A RANDOM survey of Soviet citizens on Moscow's busy Kutuzovskiy Avenue yesterday revealed that most of them are solidly behind Mr Mikhail Gorbachev's perestroika reforms, despite a lack of improvement in their living standards.

Their comments come amid mounting evidence in the press of high-level disagreement over Mr Gorbachev's economic and political reforms. Many of the replies bore out his remark this week that the most difficult job would be to "restructure" people's thinking.

"Perestroika is taking place but our people cannot be changed quickly," a woman science editor shopping with her young son said. "People have lived for 70 years under these conditions and they got used to not working and still getting paid. My faith lies particularly in young people who want change."

Like most of those to whom I spoke, she did not hesitate to answer political questions.

The Soviet people, she said, hoped this was not the last Stalin died, people were vigorous and didn't even believe Krushchev when he told them of Stalin's crimes," she noted. But the problem was that Mr Gorbachev could not take huge steps and that meanwhile the economy was falling apart.

"We must be patient," she said, a not uncommon Russian reaction.

An articulate middle-aged car mechanic said there were no more goods in the shops than when Mr Gorbachev assumed office in 1985. But, he noted, this was a big country. Time would show whether Mr Gorbachev's reforms would be successful. But, nevertheless, most Soviet people supported him.

"How can one not like him? He thinks more about people than the others ever did," the man offered.

A group of five labourers slowly digging out a telephone cable were approached. One young man resting on a shovel spoke for the others, and launched into a discourse on the improvements for them since Mr Gorbachev rose to power.

"We get up to roubles 350 (the average Soviet wage is 200 a month) if we work well," he asserted.

A foreman came over to listen.

"Stalin said if you don't work, you don't eat," the young worker remarked. "There is more discipline now, as people's consciousness is better. But, as for the shops, it's no better there," he said.

Leslie Colitt wanders the streets of Moscow in search of everyday thoughts on reform

The worker's opinion would not be shared by proponents of perestroika, however, who note that Soviet workers are not being paid on the basis of their performance, but merely attendance.

A truck driver from the Soviet Baltic Republic of Estonia visiting Moscow said he detected no changes whatsoever under the reforms. "Things have got worse in Estonia," he said. "Most people in Estonia don't believe in perestroika. I travel a lot and in Leningrad and Karelia they are also very cool towards perestroika."

He explained that in more highly developed Estonia people wanted a more independent economy but that everything was controlled from Moscow. Estonians, he said, preferred to trade directly with Finland.

"If Gorbachev was not in power, I would never give you this interview," he noted, in an eloquent tribute to the Soviet leaders' policy of glasnost (openness).

An Armenian, Mr Arutyun Akopyan, immediately produced his calling-card with a photograph on one side and a text identifying him as a magician, a people's artist. He offered an example of everyday perestroika. Previously Mr Akopyan said he performed with six assistants, but now needed only three.

"The quality of my work has not deteriorated," he said with pride.

A man from the Soviet Republic of Georgia, who worked as a scientist in Moscow, offered his insight into Soviet society. People, he said, could be divided into three categories. "We don't have classes," he remarked. The first category consisted of people who were satisfied with very little. Then, there were those who were dissatisfied, but who "see no way out". The third category, he said, consisted mainly of intellectuals who might be dissatisfied but who wanted changes and saw the possibility of them. However, most people, he remarked, were in the first category.

As a Georgian, he was always surprised at the modest level of expectations among Russians, who make up half of the Soviet population.

"The Russian people have suffered a great deal," he noted. "Most of them hope for the best but are satisfied with what they have. They believe that, as long as there is no war, things are all right."

Polish health workers stage demonstration

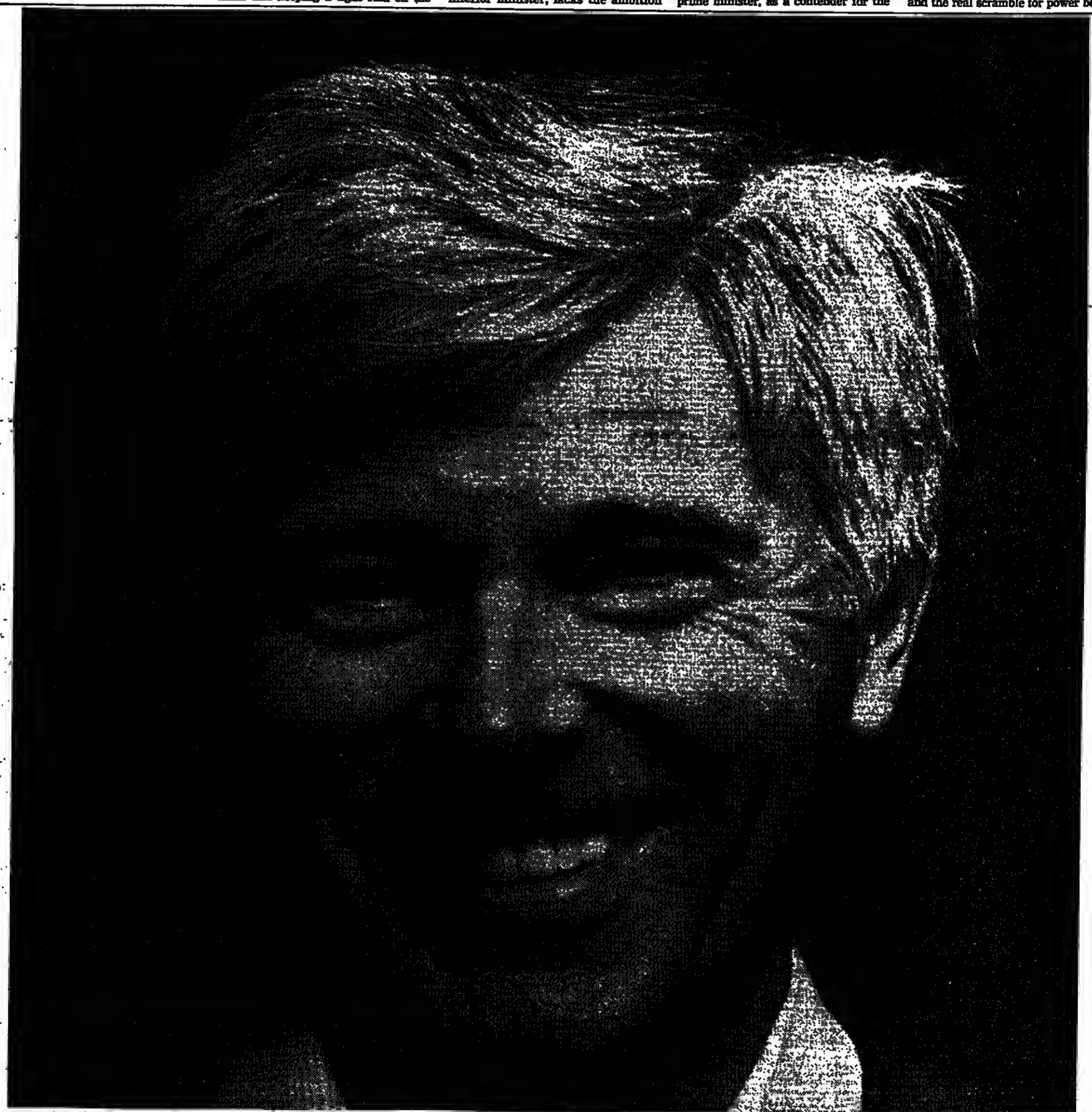
BY CHRISTOPHER BOBINSKI IN WARSAW

SEVERAL hundred Polish health workers yesterday demonstrated outside the Health Ministry for higher wages and better conditions in hospitals.

The group held banners referring to Poland's chronic drug shortages and demanding that health workers' pay be brought up to the national average. Police and security men

observed the demonstrators, who chanted Solidarity slogans, but did not intervene.

Yesterday, too, an application by staff at Krakow Medical Academy to establish a Solidarity union was rejected by the high court. The judges said the school already had a registered union. Solidarity could not be registered.



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OVERSEAS NEWS

New head for Chinese central bank

A SOVIET-TRAINED engineer with no financial experience is to be the new head of China's central bank...

Missile fears overshadow US-Saudi talks

MR GEORGE SHULTZ, the US Secretary of State, yesterday held talks with King Fahd of Saudi Arabia...

INTERNATIONAL AIRCRAFT PIRACY

Mashhad hijack ends air travellers' long peace

THE HIJACKING of the Kuwait Airways Boeing 747 by pro-Iranian Shi'ite terrorists on Tuesday ended the longest hull enjoyed by the Middle East since politically motivated air piracy began in earnest in the region 20 years ago.

Despite a 17-day duration it resulted in the death of only one man, a US serviceman who was murdered at Algiers when the hijackers' demand for the ransoming of the aircraft was denied.

Upsurge in Iran-Iraq fighting clouds UN peace effort

A FRESH upsurge to fighting between Iran and Iraq yesterday cast a heavy shadow over the second day of ceasefire talks between Mr Mohammad Lardani, Iran's deputy foreign minister, and Mr Javier Perez de Cuellar, the United Nations Secretary-General.

Iran and Iraq both reported scores of civilians killed or wounded in yesterday's bombings, which came on the eve of parliamentary elections in Iran.

Hawke launches inquiry into popularity slump

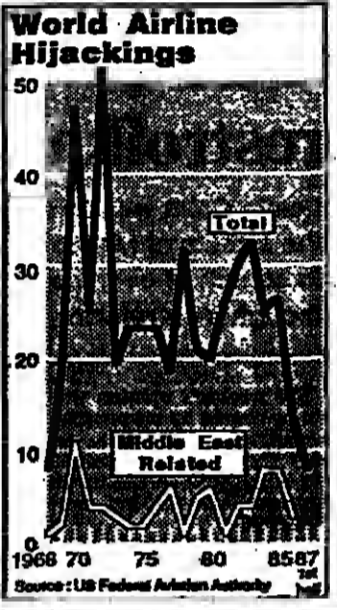
AUSTRALIAN Prime Minister, Mr Bob Hawke, promised Australians a better deal yesterday and launched an inquiry into why his Labor Government is losing popularity after five years in power.

Ethiopia steps up troop movements

ETHIOPIA'S Soviet-backed Government has requisitioned planes of the national airline to shift troops from the Somali border to the north of the country where rebels have recently made sweeping advances.

Iran-Iraq strike cities in fresh missile raids

IRAN and Iraq attacked each other with missiles and aircraft yesterday hitting nearly a score of targets in a further bout of the "War of the Cities", Reuters reports from Moscow.



AMERICAN NEWS

US sales figures reveal consumer confidence rise

US CONSUMERS continued to regain their confidence last month, according to March sales figures released yesterday that show the country's biggest retail chains and car manufacturers.

Paul Simon suspends bid for president

SENATOR Paul Simon, whose only victory in the Democratic Party presidential nomination campaign was in his home state of Illinois, yesterday in effect dropped out of contention.

Pay strike paralyses Brazil central bank

OPERATIONS of the Brazilian Central Bank were curtailed yesterday when thousands of middle- and junior-ranking officials walked out in protest at the Government's refusal to grant a pay increase of 40 per cent.

Chile plans sale of shares in state enterprises

GENERAL Augusto Pinochet's regime will sell shares in at least five state-owned companies this year, and is studying the privatization of six more government enterprises.

Warrant issued for arrest of Delvalle

ARREST warrants have been issued for deposed Panamanian President Eric Arturo Delvalle and Mr Gabriel Lewis Galindo, former ambassador to the US.

US Army-Shell clean-up deal contested by states

THE STATES of Colorado, Minnesota and Ohio have protested against the terms of an agreement between the US Army and Shell Oil to clean up the Rocky Mountain Arsenal, reputedly North America's worst polluted industrial site.

Canute James reports on Caribbean fears about the rising threat of chemical pollution

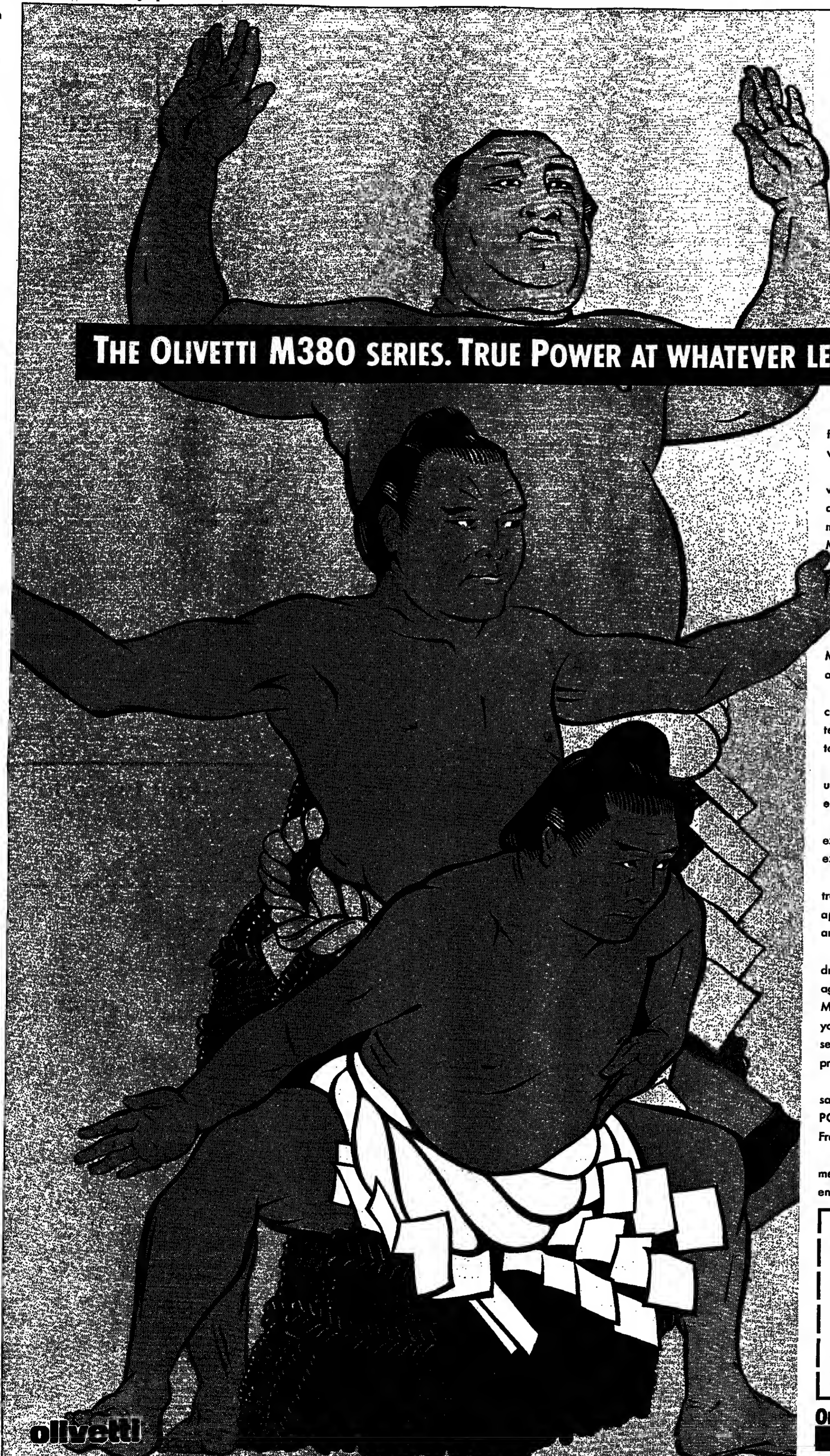
"IN GEOPOLITICAL terms we have always been regarded as America's backyard," said one Caribbean diplomat, "so it is not surprising that the backyard has become a convenient place to dump rubbish."

Rubbish dump in the American backyard

toxic dumping in the region was, at best, misplaced. "Independent hauliers, once they leave US territorial waters, are pretty much on their own. They have found governments that are prepared to talk to them and do deals."

Warrant issued for arrest of Delvalle

Local critics of the operation are troubled by the potential impact on the country's environment. Spokesmen for the project say no radioactive waste would be imported, and that the rules governing the operation of the plant are as strict as those demanded by the EPA.



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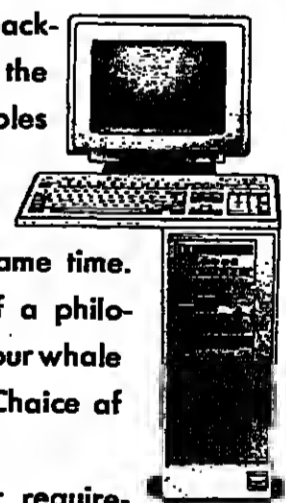
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WORLD TRADE NEWS

Austrians in Taiwan steel accord

By Bob King in Taipei

BOEHLER Gesellschaft of Austria has entered a five-year technical agreement with a newly formed subsidiary of Taiwan's Evergreen shipping group to manufacture specialised steel alloys.

The new company, Evergreen Superior Alloys, will by mid-1989 be turning out 50,000 tonnes a year - or roughly 63 per cent of Taiwan's estimated annual demand of 80,000 tonnes.

An expansion project tentatively scheduled for 1990 will at least double capacity, according to Mr Rolf Patzschke, general manager of Illies Engineering, Bohler's Taiwan agent.

The facility will be the first of its kind on Taiwan. At present, almost all of Taiwan's specialised steel alloys, used in end-products ranging from machine tools to furniture and fasteners, is imported from countries such as Japan, South Korea, Austria and Sweden.

Mr Chuang-chung Wu, deputy director of Superior Alloys, said products will in the initial stage comprise cold- and hot-rolled steel, high-speed steel, high-alloy forging steel, roller steel, and low-alloy structural steel.

Most of the equipment for the plant will come from Europe, although suppliers have not yet been decided, he said.

The project is aimed both at reducing Taiwan's dependence on imports for its growing specialty-steel demand and at spreading Evergreen's interests.

Taiwan's state-owned Bank of Communications will take a 22 per cent share in the project.

The remainder of the funds will come from the government's Industrial Technology Research Institute.

Peking is starting to realise that prolonged negotiations often catch it out, Colina MacDougall writes

Exporting to China's 1bn customers remains a long, hard slog

CHINA'S Huaneng International Power Development Corporation, after years of negotiation, finally signed on the dotted line last month for \$165m-worth of power generating equipment from Britain's GEC.

The Huaneng contract could be seen as a sign that British exports to China, which at \$46m last year were lagging behind their European competitors, are picking up. However, although this project has finally reached the contract stage, the UK's soft loan programme under which the deal has been financed is still not regarded by exporters as having fulfilled its purpose with any real success.

The GEC contract was the biggest Sino-British deal since the

1986 £250m contract, also with GEC, for turbines for the Daya Bay nuclear power station near Hong Kong.

The Huaneng deal, for generating equipment for central China's Yueyang power station, was signed under Britain's 1986 £300m soft loan agreement with China. This provided for credit over 20 years at 5 per cent annually, with a five-year grace period. It was designed to offer finance at rates competitive with other Western countries and, since it listed four named projects, to reserve them for British companies.

Negotiations for the projects listed under the soft loan programme have moved at a snail's pace. The first deal signed under it, a \$45m British Shipbuilders

contract last year for two container ships, was not one of the original projects and in any case was easier to negotiate since it did not involve construction in China.

The Chinese have indicated that rather than another soft loan, they would prefer mixed credits, a combination of grant (made under the UK government's Aid and Trade Provision), and cash or credit. This is more flexible since projects can be considered on a case-by-case basis.

The 5 per cent interest rate no longer looks as appealing as it did two years ago. As China's experience of modern trade and banking increases, it has grown more skilled at assessing different types of credit.

British officials are now planning what kind of concessionary finance the UK might provide when the soft loan agreement expires next year. It could be argued that new arrangements should be made sooner, since the bulk of the loan, around two-thirds, has already been taken up.

On top of that, talks over the three remaining projects listed under it are grinding on with no prospect of immediate conclusion.

Davy McKee, due to provide a tube mill at Daya, say it hopes final negotiations will start soon, but acknowledges that severe problems with finance on the Chinese side have held up the project.

Peking's foreign exchange shortage over the past two years has forced the Chinese side to reduce the imported element to about half the original \$100m level. This has resulted in much re-negotiation.

Similarly, changing requirements have hit Lucas CAV, in line for the supply of fuel injection equipment to the Loyang No.1 Tractor Factory. After talks began, Loyang decided to build a more sophisticated tractor, and wanted higher technology to put into it.

The third deal, STC's proposed project with Shanghai for optical transmission equipment and technology, is facing technical problems. Technical transfer

always takes a long time," said a company spokesman.

Nevertheless, the long-term prognosis for exporting to China is good, Whitehall officials believe.

The streamlining of the Chinese bureaucracy under way at the present National People's Congress should also help reduce the seemingly endless red tape.

The Chinese are starting to realise that prolonging negotiations for several years often catches them out over changes in currency and interest rates.

In addition, Peking is becoming cheaper as more housing and office blocks for expatriates come on stream. China will set up more powerful non-government organisations like Huaneng

which has the freedom to act independently and "tell the ministries to get knotted", commented one British official.

These factors may favourably influence thinking on new soft credit terms, especially as the US, one of the few major countries with no concessionary finance for China, currently seems to be losing out in exports.

But officials warn that UK businessmen should recognise that the agreement on Hong Kong and the Queen's 1986 visit do not mean that Britain has an "inside track". Any exporting to China, despite the eternal mirage of the customers, remains a long, hard slog.

US, EC clash on farm subsidies

BY DAVID BUCHAN IN BRUSSELS



Richard Lyng, defender

THE US and the European Community yesterday clashed head-on over agricultural subsidies at the start of a two-day conference on the world food situation convened by the European Parliament here.

In an apparent public hardening of positions taken by both sides in the current round of Gatt negotiations, Mr Richard Lyng, US Agriculture Secretary, defended the US plan for a 10-year phase-out of all farm subsidies, and sharply criticised less radical proposals by the EC to stabilise prices and "manage" world agricultural trade.

Mr Frans Andriessen, the EC agricultural commissioner, riposted that the Gatt talks could only lead to successful reform, if it was recognised that total elimination of all agricultural support was "neither possible nor desirable" and if nations pursued shorter-term steps consistent with the Gatt goal of imposing "more discipline in world farm trade."

that the difficulties of agricultural trade will spill over more into general trade flows".

The 95 Gatt member-countries are for the first time in the current Uruguay round of negotiations tackling basic agricultural trade reform. But the apparent entrenchment of US and EC disagreements on the subsidy issue seemed reinforced by Mr Lyng's initial remarks yesterday.

He had originally been lukewarm to the invitation by Lord Plumb, the European parliament president, to address the food conference because he had believed the Gatt negotiations "might be at a sensitive stage".

He had since changed his mind, presumably because there were no private compromise negotiations that could be publicly jeopardised.

Speaking for the Cairns group of food exporters that have taken a position between the US and EC, Mr Kerin complained that Brussels and Washington were still artificially pushing exports.

Yugoslavia, S Korea to boost trade

YUGOSLAVIA and South Korea have agreed to exchange trade offices by June to help promote direct trade, the state-run Korea Trade Promotion Corporation said, Reuters reports from Seoul.

Yugoslavia will be the second East European country to open a trade mission in South Korea after Hungary which set up an office last month.

Seoul, which has no diplomatic relations with communist states, opened a trade office in Budapest last December.

The new pact, signed last month, calls for representative offices to be set up in Seoul and Ljubljana in the first half of 1988.

South Korea said the offices would arrange exchanges of delegations, trade fairs and exhibitions and explore possible joint projects in third countries.

South Korea and Yugoslavia have indirect trade, heavily in Seoul's favour, which was worth \$16m last year.

HK textile customs fraud soars

BY DAVID DODWELL IN HONG KONG

THE scale of customs fraud involving textile exports from China through Hong Kong has soared over the past year as Hong Kong manufacturers have increasingly transferred production onto the mainland, the British Territory's Customs and Excise Department claimed this week.

The findings highlight what are likely to be increasing problems in regulating quota-limited exports from Hong Kong as the economies of Hong Kong and the neighbouring Pearl River Delta area of Guangdong become increasingly interdependent up to and beyond 1987.

More than 1m mainland Chinese workers are involved in these ventures or processing enterprises. Many of these are toy or electronics manufacturers that face no quota restraints on export to the US or Europe.

But textile and garment manufacturers have faced more complex problems, with US customs officials increasingly vigilant in

enforcement of country-of-origin legislation.

This means that garment manufacturers are free to produce their goods on the Chinese mainland, but have to declare them as originating from China, and obtain Chinese quota, if they want to export them to the US.

Detected fraud involving textile exports leapt by 51 per cent from 222 cases in 1986 to 336 last year, the department reported. This was based on almost 35,000 border inspections of textile consignments.

The department successfully prosecuted 459 offenders for textile fraud over the year, 40 per cent more than in 1986.

The department also conducted more than 1,100 full textile fraud investigations over the year, compared with less than 800 in 1986 - one-third of these connected with false Chinese export visas on consignments destined for the US, and the rest linked with attempts to circumvent the quota system.

Hong Kong manufacturers have moved in droves during the past four years to establish factories in the Pearl River Delta area, mainly to capitalise on the lower labour costs on the Chinese mainland.

An estimated 4,000 joint ventures have been set up in the area, most of them with Hong Kong funding, while a further 9,000 mainland enterprises are processing or assembling goods for Hong Kong companies.

Many Hong Kong manufacturers have ignored these constraints, aware that Peking would not allocate them a share of China's own export quota. They are unwilling to repatriate production to Hong Kong for several reasons.

Costs would be prohibitively high, certain categories of skilled workers are no longer available, and the "substantial transformation" of the product in a mainland factory makes them ineligible for Hong Kong quota.

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Uruguay takes bigger role in regional market pact

BY IVO DAWNAY IN RIO DE JANEIRO

URUGUAY will be more closely integrated into Brazil and Argentina's drive to create a regional common market with the signing of an agreement between the three countries' presidents in Brasilia this week.

The accord follows mounting pressure from Uruguay's President Julio Sanguinetti for a more substantial role in the trade pact.

Bilateral exchanges between Brazil and Argentina have increased markedly over recent years with President Raul Alfonsin and President Jose Sarney agreeing last year to meet at six-

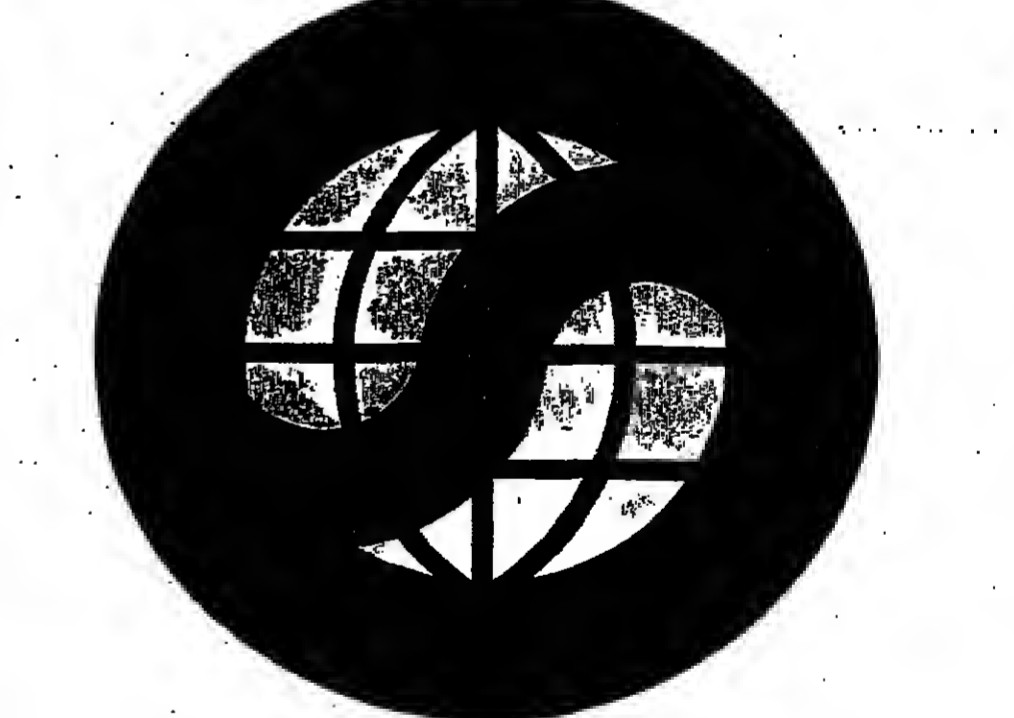
Poorer nations near agreement on tariffs

BY IVO DAWNAY IN RIO DE JANEIRO

FIFTY nations yesterday neared agreement on a system of mutual trade preferences and tariff concessions within the Third World to promote commerce between developing countries, Reuters reports from Brasilia.

Officials of 50 Third World countries are meeting to finalise the agreement under the auspices of the United Nations Conference on Trade and Development.

"Agreement on a Global System of Trade Preferences would for the first time give Third World countries a legal instrument for a global co-operation on trade tariffs, an Unctad official said.



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Britain balks at European TV advert proposals

BY RAYMOND SNODDY

BRITISH Government opposition is growing to a Council of Europe draft convention on cross-frontier broadcasting because of a proposal which would prevent UK commercial television stations interrupting programmes with advertising.

Such a proposal, if implemented, would devastate the advertising revenue this year and which is due to earn £1.4bn in the advertising industry.

The UK Government, apparently supported only by Ireland and Luxembourg, feels so strongly about the issue it will enter a reservation against that part of the convention to prevent the TV system if it has in it provisions which would prevent the UK from accepting such restrictions or suggested alternatives which would envisage advertising no more often than once every 45 minutes.

The UK Government, apparently supported only by Ireland and Luxembourg, feels so strongly about the issue it will enter a reservation against that part of the convention to prevent the TV system if it has in it provisions which would prevent the UK from accepting such restrictions or suggested alternatives which would envisage advertising no more often than once every 45 minutes.

When the UK enthusiastically supported the idea of a convention at a Council of Europe conference in Vienna in December 1986 it was seen as a way of opening up the skies to satellite broadcasting across Europe in a less bureaucratic

Kinnock dubs reform of social security 'robbery'

BY JOHN HUNT

MR NEIL KINNOCK, the opposition Labour Party leader, has written to Mrs Margaret Thatcher, the Prime Minister, condemning next week's reforms of the social security system as "robbery".

Mr Kinnock called for second thoughts about the system before the full impact is felt by those receiving social security benefits.

But Mr Michael Portillo, Under Secretary for Social Security, rejected Thursday's criticisms from the Government's own Social Security Advisory Committee which had said in its annual report that 45 per cent of benefit claimants would lose from the changes.

Mr Portillo said: "I don't accept that this is very rough justice. I think that every group will be provided for under the reforms."

GEC and Babcock abandon plan for power link-up

BY DAVID FISHLOCK, SCIENCE EDITOR

GENERAL Electric Company, the electrical group, and FKI Babcock, the electrical engineering and electronics components company, have abandoned plans for a joint British company specialising in power station technology.

FKI Babcock has withdrawn after two months of talks having failed to persuade GEC to give it a big enough share of the joint venture.

GEC wanted the shareholdings to reflect this difference, while FKI Babcock argued for more than a 50 per cent share, claiming its new nuclear and pollution control technologies and its manufacturing investment gave it a 'strong position in bidding for power plant orders.'

Babcock has been a big subcontractor of GEC in several overseas power station contracts.

It is an area where a number of US nuclear projects have foundered, due to changes demanded retrospectively by the US nuclear inspectors, which proved costly.

A joint venture between Babcock and Westinghouse would facilitate transfer of Westinghouse PWR technology to Britain, Babcock executives believe.

Arrest puts spotlight on City practices

MR DAVID MAYHEW, senior corporate finance partner of Cazenove and Co, has been widely tipped as the hot to two existing senior partners, Mr John Kemp-Welch and Mr Anthony Forbes Cazenove.

This clientele has meant that the firm has been involved in more takeover battles over the last five years than any other City institution and that Mr Mayhew in particular has accumulated as much experience of fighting contested battles as any other individual in the City.

Clive Wolman reports on the charges concerning Guinness and a partner of Cazenove, the London securities firm

Guinness are raising broad questions about the corporate finance practices of the City.

There he built up an extensive range of contacts among institutional investors that was to prove invaluable at key moments during takeover battles and when placing newly issued securities.

The sympathisers. Whereas several of the other people arrested in the Guinness affair have been charged with offences relating specifically to the giving or taking of such inducements, no such charges have been made against Mr Mayhew.

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PACIFIC BASIN FUND

Notice to Shareholders

The Board of Directors of Pacific Basin Management Company S.A. in their meeting held on 26th February 1988, have considered with the Custodian the... (text continues with financial details)

On behalf of the Board
J. P. Picot
General Manager

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UK NEWS

London, Dublin hold talks on extradition

BY KIERAN COOKE, DUBLIN CORRESPONDENT

BRITISH and Irish officials met yesterday as it became clear that both sides are seeking a swift resolution to a dispute over extradition arrangements from the Irish Republic.

Neither side would comment after the day of talks on any progress which may have been made.

Extradition was one of the main topics at the recent London meeting of the Anglo-Irish conference, the consultative forum which forms part of the Anglo-Irish accord.

The issue is, however, an

emotional one in the Republic, particularly in view of a number of recent British judicial decisions, including the failure of the Birmingham Six appeal, which have raised concern in Ireland about the treatment Irish people receive in the British courts.

Along with the controversy over an inquiry into an alleged "shoot-to-kill" policy among the Royal Ulster Constabulary in 1982, extradition has been among the issues which have recently seriously damaged Anglo-Irish relations.

The Irish Government has accused Sir Patrick Mayhew, the British Attorney General, of failure to comply with Irish legal procedures in seeking the extradition of suspected terrorists from the Republic.

Under the terms of an Extradition Amendment Act passed by the Irish Parliament late last year, the British authorities must back up their extradition warrants by supplying evidence. This evidence would then be vetted by the Irish Attorney General.

Sir Patrick Mayhew is

understood to have sought assurances from his Irish counterpart that all evidence supplied will be treated in the strictest confidence and not be shown to the Irish courts in the event of any challenge to an extradition warrant.

The British have in recent months lodged a number of extradition requests with the Irish Government. Dublin is keen to demonstrate it is not a haven for people, particularly from Northern Ireland, escaping from the British justice system.

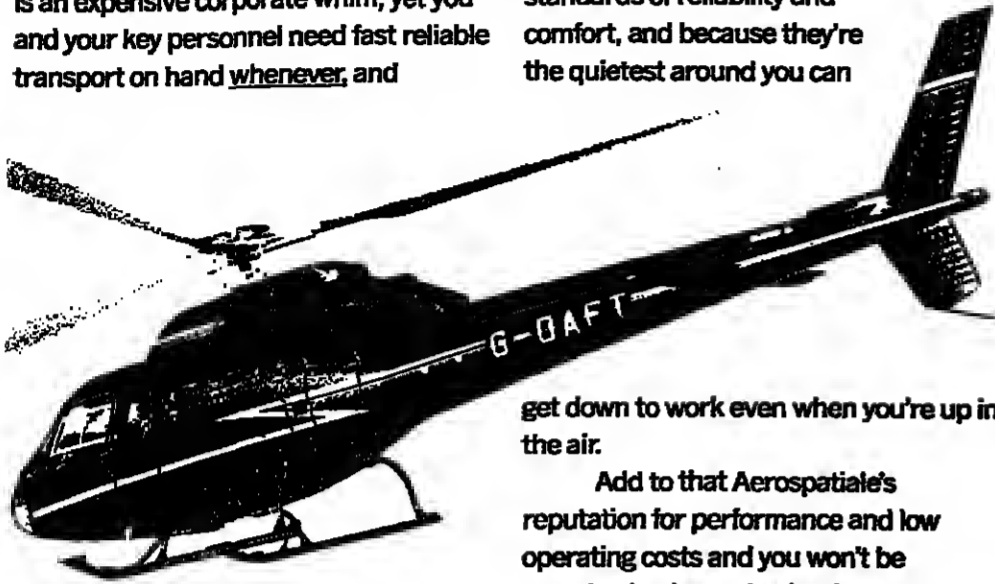


Sir Patrick Mayhew

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wherever it's required, look at the advantages and think again.

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Phone box failure rate cut to 10%

By David Thomas

BRITISH Telecom has passed the first of its quality-of-service targets by having nine out of 10 of its public callboxes working nationally.

It now claims that call boxes within London are being repaired within three hours on average and that television crews are finding it difficult to find vandalised call boxes to film.

BT set itself a number of service targets last October after sustained criticism of its performance.

The first was to have 90 per cent of its call boxes working by the end of March.

The company said yesterday that, slightly more than 90 per cent were now working and that this would be confirmed in the next joint BT-Office of Telecommunications survey to be published later this month.

When BT and OfTel began these surveys last autumn, the number of call boxes available hovered between 72 per cent and 77 per cent.

BT has spent about £15m since October in its attempt to meet the target for call boxes which are already losing £8m a year.

Many of the measures carried out by BT were of a short-term nature, such as asking all staff to check whether phone boxes passed during journeys to and from work were operating.

The company also paid housewives outside London to check on phone box availability. In London, it paid extra to contractors hired to clean the boxes to check on their working order.

In some of its districts, such as London, it drafted in additional engineers to improve the service. However, it decided against taking control of call boxes away from its local management and grouping them in a distinct national operation - an idea considered at the height of the criticism of its performance.

BT said yesterday it was also confident it would meet the next of its service targets - calls to the operator should normally be answered within 15 seconds - by the end of this month.

Record share of home demand met by imports

By Ralph Atkins

IMPORTS OF manufactured products into the UK as a share of home demand rose to a record level last year, according to official figures published today.

Provisional statistics from the Department of Trade and Industry show that 35.2 per cent of home demand was met by imports in 1987. That compares with shares of 34.3 per cent in both 1986 and 1985.

British exports, however, showed a slightly improved performance last year. As a share of manufacturers' sales, overseas business increased from 28.5 per cent in 1986 to 30.3 per cent in the year to December 1987.

Export performance, however, was still weaker than a peak in the year to September 1986. Then exports as a proportion of sales stood at 32.6 per cent.

The DTI said import penetration into British manufacturing industry increased rapidly from early 1983 until a peak in June 1985.

There was then a period of improvement for about a year but this was followed by a return to the upward trend.

Export performance improved steadily between 1983 and 1985. Since mid-1985, however, movements have been erratic although

the DTI said the latest figures were more encouraging.

The statistics show that increases in import penetration last year were spread across a range of industries.

Metal manufacturing, mechanical engineering, instrument engineering, textiles, leather goods, clothing and footwear industries all saw rises between the last three months of 1986 and the last quarter of 1987.

Import penetration fell sharply, however, in the motor vehicles industry where the share of total demand met by imports fell from 51 per cent to 47 per cent in the same period. Office machinery and mineral extraction industries also saw falls.

Sharp improvements in export performance were recorded in the metal manufacturing industry, where exports as a proportion of manufacturers' sales rose from 27 per cent to 43 per cent in the year to the last quarter of last year.

Export performance also improved in the instrument engineering, textile, leather goods and clothing and footwear industries. These were offset by a deterioration in performance among chemical and motor vehicle companies.

Unichem complains about Price Waterhouse report

By Richard Waters

AN OFFICIAL complaint was lodged yesterday against Price Waterhouse, the accountancy firm, over a report it prepared for audit client Macarthy in its contested bid for Unichem, the pharmaceutical wholesaler.

Auditors are increasingly being used to support accounting arguments advanced by bidders or target companies in takeovers, and are thus being dragged into heated arguments.

Last week Coopers & Lybrand, auditor of Pilkington, was cleared on appeal of a charge of lack of objectivity over a similar report it produced two years ago to help its client fight off an unwanted bid from BTI.

Unichem's complaint against Price Waterhouse surrounds a report the accountants prepared for Macarthy directors which stated that, were Unichem a public company rather than a

friendly society, its reported profits for 1987 would have been £2.7m (or 53 per cent) lower than those reported. This is because friendly societies are governed by different accounting procedures than companies.

The debate is crucial to the valuation of Unichem. Phillips & Drew, the company's advisers, claims it is worth £10m based on past and projected profits. Macarthy, which has bid \$65m, says that its bid is fair given the lower profits that Unichem would report if it were a company.

Unichem and its auditors, Spicer & Oppenheim, last week called the Price Waterhouse report "unjustified and unwise."

The complaint will be considered by the professional conduct committee of the Institute of Chartered Accountants in England and Wales, which will decide whether there is a prima facie case to be answered.

Threat of no-strike split recedes as electricians union eases line

By Charles Leadbeater, Labour Correspondent

THE THREAT of an early and significant split developing within the Trades Union Congress over its policy towards single-union, no-strike agreements receded last night after the RFTU electricians' union backed away from suggestions that it should quit the union umbrella body before its annual congress.

However, Mr Eric Hammond, RFTU general secretary, said yesterday that he feared the TUC's proposed code of practice on such agreements would "set in train events which would convince my members there was no place for them within the TUC."

However, he did not renege his threat to ballot his members on whether to quit the TUC before the September congress

makes a decision on the code. Mr Hammond's statement confirmed the view of senior trade union leaders that the electricians would wait to see how any code worked in practice before considering pulling out of the TUC.

A TUC special review body on union organisations and structures agreed on Wednesday that there should be a code of practice covering single-union, no-strike agreements. The electricians and the AEU engineering union voted against the proposal.

After the meeting several union officials said they were left with the impression that the two unions were not voting against a code in principle, but reserving their judgment until the details were agreed.

However, Mr Hammond's statement confirms the likelihood of a significant clash developing once a code is agreed. The TUC is proposing that unions should not offer employers no-strike agreements in an attempt to win bargaining rights. However, Mr Hammond said this would threaten gradually to kill the electricians' strategy of signing such agreements.

Any move by the TUC to accept proposals from the left wing to tighten the proposed code would make a clash almost certain.

"We are not ashamed about our agreements," he explained. "They have not been thrust upon us by eager employers; we have vigorously advocated them."

Marathon wins clearance for Brae oil development

By Steven Butler

MARATHON OIL yesterday received approval from the Department of Energy for a £105m plan to further the development of the Central Brae oil field, about 155 miles north-east of Aberdeen.

The project is to be a subsea development, with a 660-tonne subsea template that can accommodate 10 wells, linked to a remote platform, the Brae 'A'.

Subsea wells have recently become more common as a way to avoid duplicating costly platform structures.

Marathon has already awarded

the subsea template and piles contract to Highland Fabricators. Production at Central Brae, which has estimated recoverable reserves of 65m barrels of oil, is expected to begin in late 1988, and reach a peak production of 22,500 barrels a day.

Oil is to be transported via the Brae-Forbes pipeline, with gas reinjected into the North Brae reservoir for later recovery.

Marathon and BP are said to be discussing a compromise pipeline plan to transport gas from the area in order to meet Government requirements for a single system.

a company with registered office in Ponzano Veneto (TV)
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Companies Register of the Court of Treviso

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Shareholders are hereby convoked to attend a General Meeting of shareholders on 28th April 1988, at 10.30 AM in Ponzano Veneto (TV), Italy, Via Villa Minelli, 1 (first call) and, if needed, on 29th April 1988, same time and place (second call), in order to discuss and vote upon the following items on the agenda:

- Report of the Board of Directors and of the Statutory Board of Auditors;
- Accounts for the year ended 31st December, 1987;
- Increase in the number of Directors;
- Fixing of remuneration for the Board of Directors;
- Miscellaneous.

To attend the General Meeting, shareholders must, at least five days prior to the date fixed for the meeting, lodge their share certificates at the offices of the Company or one of the following institutions:

Monte Titoli S.p.A., Banca Commerciale Italiana, Banca Nazionale del Lavoro, Credito Italiano, Banco di Roma, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco di Napoli, Banco di Sicilia, Cassa di Risparmio delle Province Lombarde, Banco di Santo Spirito, Istituto Bancario Italiano, Banca Popolare di Novara, Banca Nazionale dell'Agricoltura, Banca d'America e d'Italia, Nuovo Banco Ambrosiano, Banco Lariano, Banca Popolare di Milano, Credito Romagnolo, Banca Popolare di Verona, Banca di Trento e Bolzano, Banca Marsusardi & C. S.p.A., Banca Cattolica del Veneto, Credito Milanese, Banca Popolare Veneta, Banca Popolare di Pordenone, Cassa di Risparmio della Marca Trevigiana, Banca Antoniana di Padova e Trieste, Banca Popolare di Asolo e Montebelluna, Banca Popolare di Sondrio, Morgan Guaranty Trust Company, Deutsche Bank A.G., Barclays Bank PLC, Société Générale, Banca della Svizzera Italiana.

On behalf of the Board of Directors
The Chairman
Giulio Benetton

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	div (p)	Yield	%	P/E	
206	123	As. Brit. Ind. Ordinary	195ad		0	8.9	4.6	7.3
207	145	As. Brit. Ind. CILS	195ad		0	10.0	5.1	
41	25	Amblybank	21	+1				
142	40	B&B Design group (ISM)	50		0	2.1	4.1	8.0
108	208	Burda Group	160	+2	2.7	3.4	17.2	
185	95	Bay Technologies	130		0	11.5	4.5	6.6
281	130	CCJ Group Ordinary	228		0	15.1	11.6	
147	99	CCJ Group 11% Cum Prf	130		0	5.6	4.1	11.3
171	130	Caterham Group	113		0	10.3	10.0	
104	91	Carburants 7.5% Prf	214	-2	3.7	1.7	5.9	
214	87	George Blair	69	-1				
143	60	Isis Group	69		0	3.4	3.9	9.7
154	59	Judsons Group	68		0	10.4	3.2	13.1
760	300	Nell Brown NV (Autoc)	338		0			2.4
91	42	Robert Jordan	42		0	5.5	4.4	11.8
124	30	Serco	124ad		0	6.6	3.3	6.6
224	57	Taylor & Corbell	198		0	2.7	4.2	7.0
71	32	Treviso Holdings (ISM)	45		0			
270	190	W.S. Yeats	270	-1	16.6	6.1	51.0	

Securities designated (SD) and (ISM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FINRA.

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JAL JAPAN AIR LINES

UK NEWS

Semiconductor sales expected to rise by 12%

BY TERRY DODSWORTH

SEMICONDUCTOR sales in the UK are expected to increase by 12 per cent this year, with the market being led mainly by strong demand from computer and consumer equipment manufacturers.

According to the Electronic Components Industry Federation, which represents about 75 per cent of the chip manufacturers operating in the UK, total sales were likely to rise to £295m against £265m in 1987.

Integrated circuits, by far the most widely-used semiconductors, are forecast to account for £205m of the total, while discrete products such as transistors will make up the other £185m.

If this forecast is achieved, it will represent a slowdown in the rate of market growth from 15.6 per cent last year.

Chip manufacturers enjoyed buoyant conditions in 1987, the first recovery year after a two-year decline in the wake of the 1984 boom in the personal computer market.

In future, however, the industry is expecting more gentle growth as the market matures and both manufacturers and suppliers learn to plan their requirements more precisely.

The figures for last year underscore the slump in the military market for semiconductors,

which has been hit by Government constraints on defence spending and stagnation in export markets.

Although ECDF does not give detailed sectoral figures, semiconductor sales to defence manufacturers in the UK fell last year for the first time after several years of strong growth.

Last year's performance was also helped by an end to the destocking process which hit sales heavily in 1986, as well as a sharp price rise in memory semiconductors in the latter half of the year.

Prices of memories, which have been affected chiefly by capacity shortages in Japan - a by-product of the Japanese agreement to moderate their aggressive expansion in the US - are expected to remain comparatively high this year.

However, most of the capacity problems are likely to have been solved by the latter half of the year, and ECDF is expecting more modest pricing in 1988, causing a further slowdown in the rate of expansion in the integrated circuit market.

The strong areas of demand last year were from the computer market, where International Business Machines was a particularly strong customer, and the consumer electronics industry.

Package holiday sales falter as tourists await late price cutting

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

SALES of package holidays overseas are still running below last year's record levels even after the Easter boost to bookings caused by the disruption to ferry services to the continent.

Trade sources suggest that package holiday bookings for this summer are between 5 and 10 per cent down on last year.

This means that so far up to a million fewer holidays have been sold compared to this time last year, when holiday sales rose by 14 per cent from 1986 to a record 11.5m. At least two million holidays are left to sell for this summer, according to trade sources.

Tour operators had reported a surge in demand for Mediterranean holidays over Easter from disgruntled holidaymakers unable to get ferry bookings from Dover, on the south coast. Ferry services there were disrupted by the seaman's strike.

Bookings are slower because holidaymakers apparently believe that the longer they wait to book, the cheaper their holiday will be.

Last year travel companies over-estimated demand and were forced to sell holidays at rock-bottom prices. This has tempted many holidaymakers who do not have to commit their holiday plans far in advance to wait this year in the hope of further discounts.

Heathrow finance centre opened

LAST-MINUTE financial advice is now available to travellers from a shop at Heathrow Airport, writes Jill Inley.

Midwest Insurance Brokers yesterday opened the first retail shop to offer insurance and financial services on the "airside" area of a UK airport.

Travellers awaiting departure can talk to a registered personal financial adviser by

telephone as part of the insurance and financial service provided by the Travellers' Insurance Shop. Insurance will also be on sale, from standard holiday insurance to medical and accident cover.

Mr Robert Steadman, of Midwest, said: "We hope that the Travellers' Insurance Shop will be the flagship for a series of new retail shops."

Other factors slowing holiday sales this summer include some consumer disenchantment with the short-haul Mediterranean package holidays in favour either of independent travel or long-haul destinations.

The fall in the dollar's value against sterling has made Florida and the Caribbean particularly popular this year with British tourists and taken sales from Mediterranean resorts.

The big tour operators have already cut prices this year and are now adamant that they will not discount further.

"We are not going to launch any major new discount campaign in addition to our existing 'Discount '88' programme," says Mr Charles Newbold, managing director of Thomson Holidays, the leading tour operator. "We may still carry out some special

tactical promotions but we do not intend to sell our remaining holidays off at any price."

The Thomson Travel Group - which includes the Lunn Poly travel agency chain and Britannia Airways and which is ultimately owned by the International Thomson Organisation of Canada - was financially mauled last year by the heavy discounting of holidays.

Pre-tax profits for the group for the year ended 31 December 1987 fell by 29 per cent to £42.5m on sales up 50 per cent to £1,030m. The tour operating division saw its pre-tax profits fall from £16.7m in 1986 to just £3.2m last year.

Intasun, the second largest tour operator and part of the privately owned International Leisure Group, has said it will not take part in any last-minute price war this summer.

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For details or reservations, ring 01-759 2636 from London, or 0800 181313 from anywhere else in the UK.

A BREATH OF FRESH AIR

AIR CANADA

Drivers' mistakes blamed for most M-way accidents

BY FEONA MCEWAN

THE GOVERNMENT yesterday launched a drive to improve safety on Britain's motorways.

Proposals put forward in the wide-ranging scheme include professional instruction for new drivers on motorway driving, stronger warning signs and video monitoring at roadworks, campaigns with the police and motorist organisations, and safer design of road-side equipment.

Last December Mr Paul Channon, transport secretary, undertook to make a comprehensive review of motorway safety as part of his plan to cut road casu-

alties by a third by the end of the century.

Results of the three-month review show that most accidents are caused by drivers' mistakes.

Contraflows, other roadworks and bad weather increase the risk of accidents but most motorway accidents occur on clear stretches of road in normal weather conditions.

Consequently, the main message to emerge in the review document, Motorway Safety, published by the Department of Transport, was the need to improve driving skills.

Sir Denis Hamilton: former press chief

SIR DENIS HAMILTON, former chairman of Times Newspapers and Reuters, the international information group, died yesterday at his London home after a long illness. He was 68.

Sir Denis rose from provincial journalism to become one of the most influential figures in the British newspaper industry.

A colleague of many years standing, Sir William Rees Mogg, former editor of The Times, yesterday described Sir Denis as the man "who created the modern Sunday Times."

"All the key features of the modern Sunday Times which have been widely imitated came during his editorship," Sir William said yesterday.

Sir Denis was also renowned for spotting journalistic talent and giving young people responsibility at an early age as he had been given responsibility.

After the Second World War

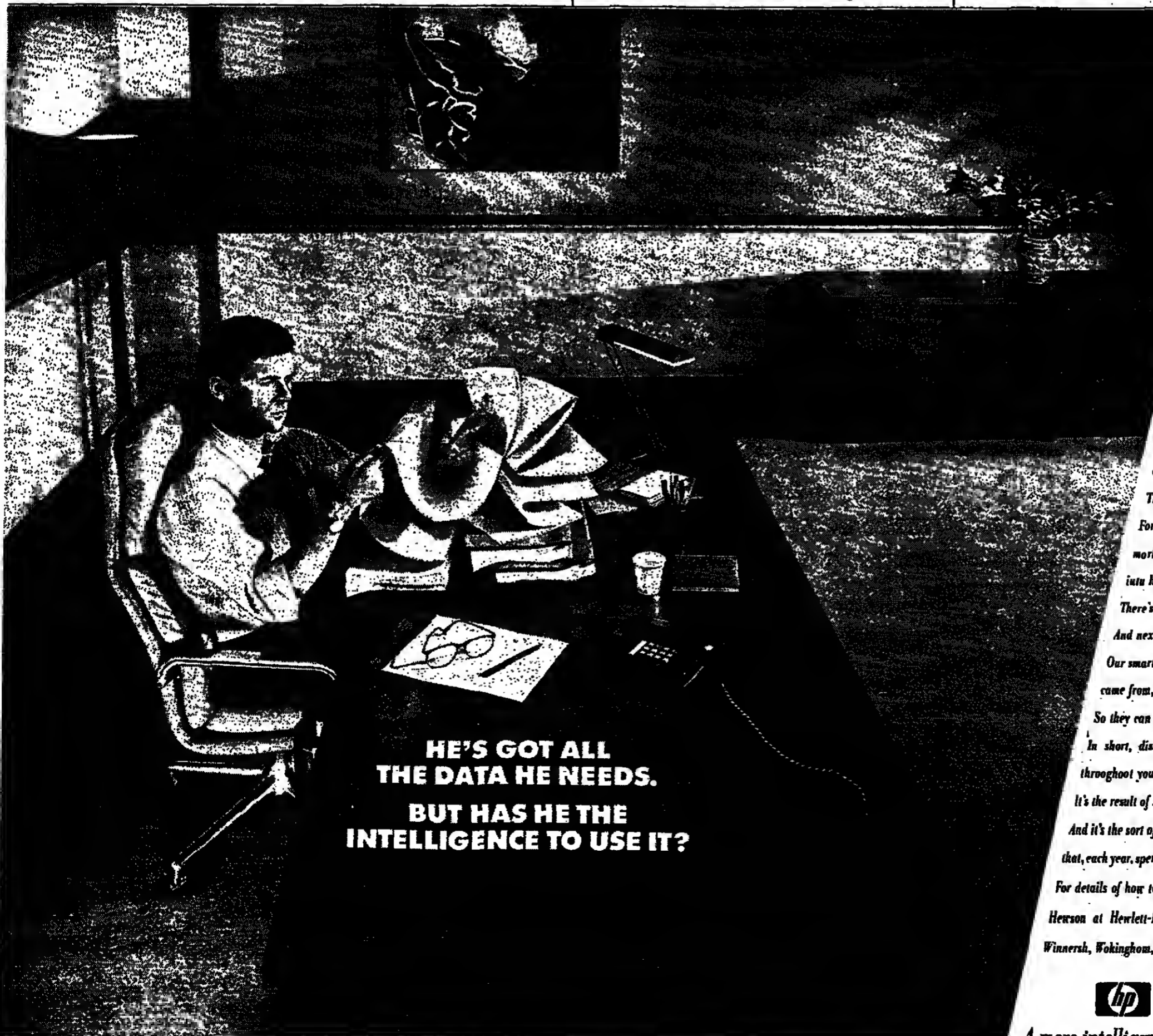
Sir Denis returned to a £10-a-week reporter's job in Newcastle-upon-Tyne, in the north east of England. He had rejected the advice of Viscount Montgomery of Alamein to stay in the army where he had gained the rank of lieutenant colonel at the age of 25.

He was quickly brought to London by Lord Kemsley at the age of 28 to be his personal assistant, and within two years was editorial director of Kemsley newspapers with a seat on the board.

It was Lord Thomson who appointed Sir Denis editor of the Sunday Times after he bought the paper from Kemsley. In 1937 he became first editor-in-chief and chief executive and then in 1970 chairman and editor-in-chief of Times Newspapers. He held that post throughout the long battle in 1980 to introduce new technology at Times Newspapers. That fight kept both titles off the streets for 11 months.



Sir Denis Hamilton, creator of the modern Sunday Times



HE'S GOT ALL THE DATA HE NEEDS. BUT HAS HE THE INTELLIGENCE TO USE IT?

He's working with a typical computer system. At the moment, he's putting together a sales analysis. (Who said computers would eliminate paperwork?). The trouble is, computers are good at providing information. They're less helpful, when it comes to using it. A more intelligent approach. At Hewlett-Packard we've developed a different approach, which we call distributed intelligence. This puts more power 'on the desk' in each department. For example, a Sales Manager can call up information from marketing, accounts or a central database, and then enter it directly into his sales analysis. There's no formatting or reformatting, and definitely no print-out. And next month, the job is even easier. Our smart computers can actually remember where the information came from, and how it was used. So they can run an updated analysis, at the touch of a key. In short, distributed intelligence means better decision-making throughout your organisation. It's the result of £150 million of research into how computers think. And it's the sort of breakthrough, you'd only expect from a company that, each year, spends 10% of turnover on research and development. For details of how to apply our intelligence, call or write to Chris Hewson at Hewlett-Packard Limited, FREEPOST, Esdole Rd, Wokingham, Wokingham, Berks RG11 5BR. Tel: 0734 696622.

hp HEWLETT PACKARD

A more intelligent approach to computing

AS BRITISH companies lavish more time, money and effort than ever on their annual reports, there is an undercurrent of dissatisfaction about their design.

The 1987 reports soon to be published will be brighter, glossier and better looking than ever before. But too often, say critics, design will have been master instead of servant in their production.

"The standard of annual reports has dramatically improved in recent years," says Tim Halford, in charge of group public affairs at Grand Metropolitan, the hotels, brewing and leisure group. "But in many cases, the design element is significantly more advanced than the content."

This view was echoed by the judges of the 1987 Business Magazine annual report awards, who said that the emphasis on design had overwhelmed the two other critical elements of annual reports: the writing and the financial information.

Halford has made his own informal survey of 10 annual reports commended in the Business awards. "Four of them didn't even carry a telephone number for the company," he says.

A small, but growing, number of UK companies believe that relief to this problem may be at hand - from the other side of the Atlantic in the form of US design.

British designers like to think of themselves as exporters of ideas to the US, and many do not appreciate the suggestion that Americans can do better. But most would admit that, in the production of annual reports at least, the Americans - if only for historical reasons - are some way ahead of the game.

"The Americans have led the way in annual reporting, by the vast size of their market and the amount that companies are willing to spend," says Michael Peters, chairman of the UK design company which bears his name.

Underlying this debate is a relatively new appreciation in Britain of the potential of the annual report. Encouraged by a greater recognition of the importance of marketing, it is no longer viewed as a dreary document required by law.

More often it is regarded as the prime expression of a company's identity: a calling card, a marketing tool and, often, a declaration of strategy.

While the financial statement in the back of the report continues to stand as a legally required record of a company's past, the front is used increasingly to extend a message about how a company views its future.

This conception of the annual report has meant the fashion of

Annual reports

Glossing over the content

Stephen Fidler on a polarisation of views



the early 1980s for a variety of documents targeted to specific audiences has gone into decline.

The advantage of concentrating one's efforts into an annual report is a more consistent corporate image. The drawback is that, with such a diverse audience, the report becomes a compromise among a variety of objectives and therefore falls short of meeting the higher-flown ambitions of its sponsors.

"The annual report should be the document that does most to symbolise the personality of a company," says Roger Hayes, director of corporate communications for Thorn EMI, the consumer products and entertainment group.

"So it's not just going to be pure over by accountants, bankers and lawyers, important as they are. It's for private shareholders, employees and customers: a broad audience."

Many established British companies, having survived the rigours of recession in the early 1980s, are using it to project a new story and to shed an old image.

"We want to get the message across that Thorn EMI is moving from a traditional British production-oriented company to one which is much more innovative, entrepreneurial and marketing-led," says Hayes.

The development of the annual report has also been fostered by the greater awareness recently in

WCRS, the British advertising and design group, appears to have recognised this in its acquisition last year of Corporate Graphics, a New York company specialising in the design of annual reports.

Michael Watras, president of Corporate Graphics, was in any case setting up shop in London because he saw a growing market in the UK for companies such as his. He says UK firms have come up with some "fabulous designs" for annual reports, but too frequently lose sight of their message, and are often cluttered and too busy.

Thorn EMI chose Corporate Graphics to design its 1986 and 1987 annual reports, a choice based mainly on the "cleanness of design and clarity" of its designs, says Hayes.

Watras investigated ideas which were new to Thorn, and paid more attention to detail than his UK counterparts, says Hayes. In his view, Corporate Graphics also surmounted what seems to be a widespread problem - the poor quality of printing - by placing an expert on the presses while the report was being run off.

There are, however, doubts about the American approach and the criticism usually falls into one of two categories: American-style annual reports "all look the same" and are often "instituted and pretentious."

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On one occasion he was interviewed by a solicitor who sat at a huge raised desk, from which he could peer down at his staff.

Since then the profession has had a few salutary shocks. Solicitors have lost their monopoly on property conveyancing. A new breed of aggressive corporate lawyer has emerged to service the needs of the deregulated City of London. Earlier this month the Government said it would introduce legislation to limit the restrictive practices of Britain's professions.

Bennett, who is managing partner of the Northampton-based firm, Howes Percival, agrees, however, that despite the changes swirling around them, few solicitors have learned to run their firms like businesses. Nor have they given much thought to the question of how lawyers should be managed.

His own firm seems an unlikely setting for the development of innovative management practice. It is nearly 200 years old. The senior partner, Michael

Persuasion - the key to dealing with 'difficult animals'



Peter Bennett tells Michael Skapinker why he advocates a more professional approach to running solicitors' firms



IN THE MID-1970s, Peter Bennett gave a lecture in which he argued that senior lawyers needed to pay more attention to the way in which they managed their employees.

Afterwards, while he was having a drink, he was approached by a relatively young man who, looking around nervously, told him: "That's damn dangerous stuff."

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Percival, is the seventh generation of his family to work there. But when Bennett joined the firm in 1989, he found that Percival shared his ideas on the need for a more commercial outlook.

Bennett practiced law while also helping to manage the firm. In 1988 he became full-time managing partner. It is a role that many solicitors are reluctant to take on. They regard it as a distraction from their real task of practicing law.

Bennett, on the other hand, does not mind if he never practices law again. "I think perhaps I was never really suited to being a lawyer," he says. "I was a failed medic. I didn't get accepted for

medicine and I couldn't think of anything else to do."

All the same, he is convinced that the manager of a law firm should himself be a lawyer. "I can't see lawyers being managed by anyone except lawyers. Some firms have appointed chief executives that they've brought in from firms of accountants, but with limited success."

So how does one manage solicitors? "They are very difficult animals," he says. "From an early age they're taught to feel special. It's very difficult to get into law faculties. The Law Society exams are very difficult."

Those who eventually qualify as lawyers "have within them an

innate arrogance. They believe they know more about marketing than marketing people and more about journalism than journalists. It's an arrogance that's often disguised as courtesy. They'll say 'my dear boy'. They've been bred in seclusion, not meeting anyone other than lawyers. They'll often do the opposite of what they're told."

"In managing a solicitors' practice you have to engage in a dialogue. You won't get anyone to do anything by just telling them to do it. You have to persuade them."

Bennett believes that structural changes are also needed. Howes Percival's biggest change

firm's personal injury practice to improving the quality of training given to articled clerks.

Their pay is also determined by the financial performance of their department. Bennett argues that this encourages greater teamwork than if lawyers are rewarded on the basis of their individual billings. Other employees, including secretarial staff, also receive bonuses based on the performance of their department.

Bennett is critical of the way in which many law firms refuse to give young solicitors any indication of whether or not they are going to become partners. "The traditional view is that they should wait in a state of high anxiety until they hear a knock on the door. People give a lot of work and commitment without knowing whether they're going to make it."

At Howes Percival, younger solicitors "will be appraised every six months and will be told whether or not they are partner material. If they're not we think it's right that they have the chance to go off and try at another firm."

How can younger solicitors be made more aware of the importance of management? "We're thinking about sending them on secondments. We're talking to the Northamptonshire Enterprise Agency about one of our lawyers going there on secondment."

"We're also talking to Ashridge Management College about a training scheme for our young lawyers. The problem we have is time. We don't have the resources to let people have a year off. But in a few years' time I'd love to see one of our young lawyers doing an MBA."

From an early age they're taught to feel special. It's very difficult to get into law faculties. The Law Society exams are very difficult'

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ITS ALL IN THE APRIL ISSUE

ALSO

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CAPITAL MARKETS

The American Depository Receipt is now more than just a desire for UK firms to nurture their transatlantic share base. But October's crash has knocked the wind out of its sails.

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FT LAW REPORTS

Digest of Hilary Term cases

FROM FEBRUARY 2 TO FEBRUARY 19

Boden v Hussey (FT, February 3)
 The case arose out of the crash of the Air India Boeing 747 off the west coast of Ireland in 1985. Air India had a combined all risks and war risks cover with General Insurance Corporation of India (GIC). GIC had settled the claim in pursuance of an agreement reached in September 1985, without prejudice to final determination as to the accident's cause, and the plaintiff syndicates had made payments under that agreement. It was still not known whether it was an all risks claim or a war risks claim. Despite the challenge to the plaintiff's right to recover those payments from the Hussey Syndicate on the ground that a reinsurance contract was a contract of indemnity, and that liability to indemnify did not arise unless and until it had been established (a) that the insured was liable, and (b) that his liability fell within the scope of the reinsurance contract, the Court of Appeal stated that it did not inevitably follow as a matter of law that the "loss" to be ascertained had to be a finally established loss.

MacKinlay v Arthur Young McClelland Moores & Co (FT, February 3)
 In allowing an appeal by a firm of chartered accountants that its contributions to the expenses of removal costs, where partners were required to move house at the firm's behest, the Court of Appeal stated that section 130 of the Income and Corporation Taxes Act 1970, then in force, provided that a profession's expenses were not deductible if they were not "wholly and exclusively" laid out for the purposes of the profession. Where the taxpayer was a partnership, a proper application of section 130(a) required the Revenue to ascertain the purpose of the expenditure, at least primarily, by the partnership's collective purpose in incurring it. There was no reason why a payment to a partner, even though it was made partly to meet his human needs, should necessarily fall foul of section 130.

Commissioners of Customs and Excise v Fine Art (FT, February 5)
 Fine Art manufactured and distributed greetings cards, which were normally resold by its cus-

tomers, so that the price charged by Fine Art was less than the retail price. In 1981, however, the Commissioners directed Fine Art to calculate VAT on the retail value of the goods and Fine Art complied. That was a misdirection and VAT should have been charged on the prices that Fine Art charged its customers so that overpaid tax amounted to £1,399,022. Fine Art sought to deduct this amount from its VAT payment, but in dismissing Fine Art's appeal against a decision that the Commissioners' execution for the sum be stayed pending proceedings for recovery by Fine Art for the same amount, the Court of Appeal stated that there was no statutory provision entitling a taxpayer to take credit for previous VAT overpayment.

Haarhaus & Co GmbH v Law Debenture Trust Corporation plc (FT, February 9)

A poll was taken after a show of hands at a meeting convened by the Central Bank of Nigeria to put new proposals before holders of promissory notes issued to uninsured trade creditors of Nigeria. The voting was entered into a computer owned by Chase Manhattan. In refusing the plaintiff's applications for a declaration that the voting was confidential vis-à-vis the Central Bank, Hirst J stated that there was nothing to have prevented the Central Bank from conducting the poll with its own officers and computer. The Central Bank had done its utmost to set up the meeting with scrupulous fairness, and the voting process had been impeccable. Not only did the application for the injunctions fail, but the plaintiff's actions were to be struck out.

The Singer Company (UK) Ltd and Another v Tees and Hartlepool Port Authority (FT, February 10)

Singer entered into an agreement with Bachman to crate and deliver to a UK port a machine which the Tees and Hartlepool Authority, in its agreement with Bachman, loaded on to the ship. The crate was badly damaged. Condition 24 of the Port Authority's General Conditions exempted the Authority from damage except for that arising from their employees' proven negligence. The court was satisfied that, by entrusting to Bachman the package of services

involving the crating and delivering of the machine to the ship, Singer conferred implied authority on it to create a sub-bailment on terms which included the Authority's General Conditions. Moreover, the conditions satisfied the criterion of reasonableness under the Unfair Contract Terms Act 1977 as, on the evidence, the Authority was confronted daily with practical problems which made it reasonable to stipulate for some form of exception.

Procter & Gamble Philippine Manufacturing Corporation v Kurt A Becher GmbH (FT, February 12)

In dismissing an appeal by the buyers that they were not entitled to damages for a misdated bill of lading, presented unknowningly by the sellers, the Court of Appeal stated that there was no general rule that breach in relation to documents presented under a c.i.f. contract automatically gave rise to damages based on the difference between contract and market prices. While presentation of documents by sellers under a c.i.f. contract implied a guarantee or warranty in that the contents of the documents were true, the buyers could reject them and refuse to pay the price should the documents be incorrect in a material respect. Where buyers paid against untrue documents they would be entitled to the full measure of the damages only where they would have been entitled to reject them had they been correct.

Clement v Addis Ltd (FT, February 19)

The setting up of the Lower Swansea Valley Enterprise Zone depressed rental values of industrial premises outside but near the designated area. As a result the rateable value of the Addis factory was £35,500 if the consequences of the zone were taken into account and £45,000 if they were not. In reinstating a decision of the local valuation court and the Lands Tribunal in Addis's favour that the zoning was material, the House of Lords held that in construing the General Rate Act 1967, section 20, which laid down the requirement that premises should be "in the same state" as at the time of the valuation, the word "state" should be given a wide construction so as to include intangibles as well as physical advantages.

Duke v GEC Helland Systems Ltd (FT, February 17)
 Mrs Duke retired at the age of 60 at her employers' insistence before the coming into force of the Sex Discrimination Act 1975. That Act gave damages for unlawful discriminatory retirement age and was enacted to give effect to the European Court's decision that such discrimination was contrary to the Equal Treatment Directive. In dismissing her appeal against a decision that she was not entitled to damages, the House of Lords stated that it would be most unfair to the employers to distort the construction of the 1975 Act retroactively in order to accommodate the 1976 Equal Treatment Directive as construed by the European Court. As between Mrs Duke and the employers, moreover, Equal Treatment Directive did not have direct effect.

Simsam General Contracting Company v Pilkington Glass Ltd (FT, February 19)

A contract between the main contractor and a sub-contractor specified that glass units, to be incorporated into a building in Abu Dhabi, were to be supplied by the defendants in a particular shade of green. It was alleged that the units were of variable colour and were rejected accordingly. In allowing the defendants' appeal against a decision that the main contractor could sue them in tort for economic loss, the Court of Appeal held that there was no general rule that claims in negligence could succeed on proof of foreseeable economic loss where there was no damage to property or to person and no proprietary or possessory interest in the goods were shown. The substance of the complaint was that the defendants' failure to supply goods in conformity with the specification had rendered its main contract less profitable but that was a claim for pure economic loss which the law of tort had consistently refused to accept.

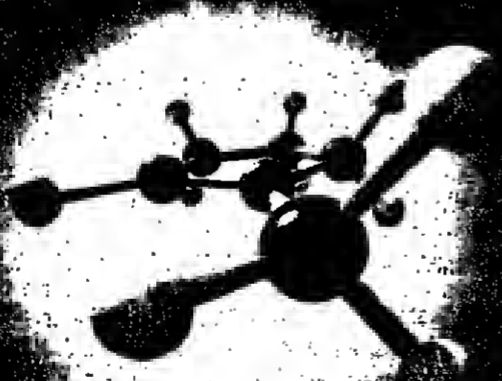
The first part of this digest appeared on April 5. It will continue on April 12 and conclude on April 19.

Aviva Golden

Progress needs concerted action by the chemical and electronics industries.

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BASF AG, D-6700 Ludwigshafen

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THE PROPERTY MARKET

BY PAUL CHEESERIGHT

Tower of strength in force nine downturn

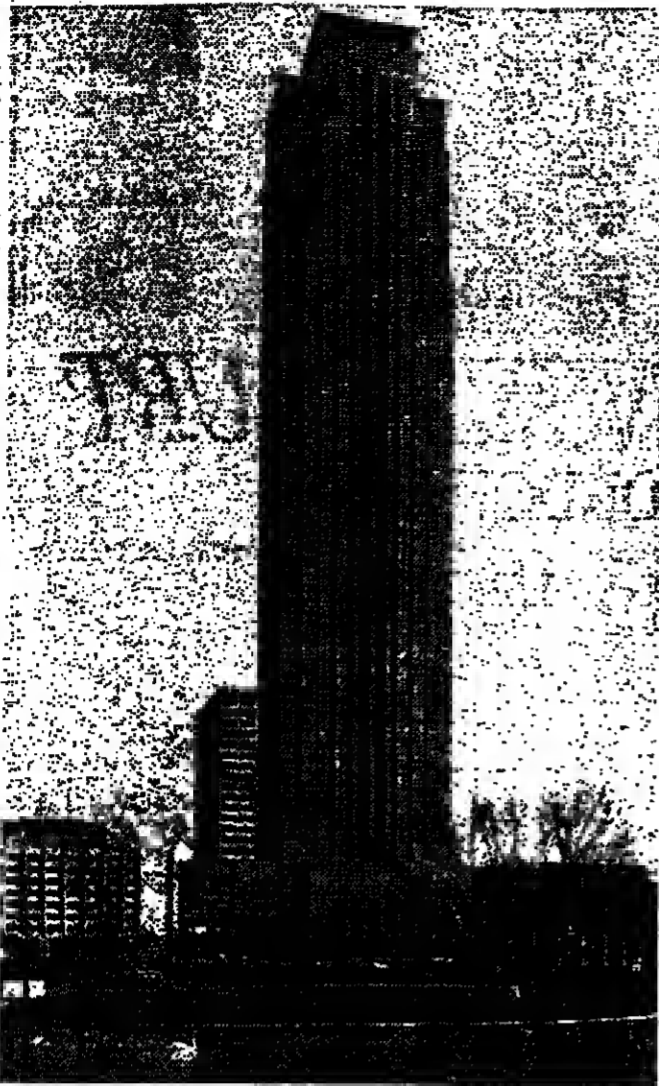
THE Transco Tower (right) was the last major building completed by Gerald D. Hines Interests in the Houston area. At 64 storeys and with 1.6m square feet of space it is 82 per cent leased, despite becoming available in 1983 when the local market was in a savage downturn.

"We thought the downturn would have a have of two or a scale of 10. In fact it was nine," says Mr Louis Sklar, executive vice-president. Hines, which has 18m sq ft of space in the Houston area, has been less affected than some other property owners.

Its buildings in downtown Houston remain profitable, but in the Galleria area, about seven miles away, where the Transco Tower is situated, "we are having to subsidise," as Mr Sklar judiciously puts it. Some of its smaller buildings are empty.

Overall the Hines buildings have a vacancy rate of 5 per cent in downtown Houston and 15 per cent in other parts of the area.

Its development programme is carrying on elsewhere. It has projects involving 4.2m sq ft of space, largely in office complexes, under construction in Boston, Minneapolis, San Francisco and Los Angeles.



Caution pays in the Houston trough

GERALD D. Hines Interests has developed, throughout the US over the last 30 years, some 78m sq ft of commercial and residential buildings - roughly equivalent to the office stock of London's West End.

"The major thrust has been to build and hold as an investment," says Mr Louis Sklar, the company's executive vice-president, development and operations divisions. But how successful this has been in financial terms is unclear.

Like many US property development and investment groups, Hines is a private company, secretive about its finances. But it is still developing and still attracting outside participation in its projects - despite some problems in the Houston area, its home base.

The key to the company's longevity is its caution. If one development is less than successful, it has little impact on the rest.

"Each project stands on its own financially - that is, unlike Cadmac Fairview which had a corporate entity owning everything, we operate through a series of partnerships," explains Mr Sklar.

This is similar to the approach adopted by some British developers, like Rosebaugh, where a joint venture is set up with another company or companies, but structured so that the project leader holds a minority stake to remove the venture from the balance sheet.

The Hines partnerships are different from the Trammell Crow

partnerships. Trammell Crow has an even bigger US portfolio than Hines, is also a private company, but is divided into local partnerships, each covering a certain area, so that the managers may have a profit share.

When Hines talks of partnerships, it is talking of equity in a certain project. Its partners are often big financial institutions, occasionally individuals. Financial partners include the Royal Dutch, Shell Pension Fund and Deutschebank.

Shell is a partner in First Colony, a new town at Sugar Land to the south west of Houston, which will eventually have a community of 80,000 people, with office and industrial parks, shopping centres, hotels and hospitals. Deutschebank is a partner in a number of Houston office buildings - One and Two Shell Plaza, Pennzoil Place and One United Bank Center.

Hines does not offer equity in a project until planning has been completed. It takes the front end risk and then seeks to limit its exposure. In doing that it is prepared to dilute its equity, but "normally we do not get involved below 10 per cent," says Mr Sklar.

In a typical venture, "we will internally have purchased a piece of ground, designed a building, completed the drawings and priced it." Contractors will have agreed a construction price and a main tenant will have been identified. Hines will want at least a letter of intent to take space or a

signed lease before it goes ahead.

By this time, Hines will probably have up to \$15m invested in a project costing, say, \$200m - about the cost of a 50-storey office tower. At this stage, with all the preliminaries over, the search starts for a partner.

This is easier with an element of pre-leasing. Hines does not engage in purely speculative development of the type that has led to gross over-building in the Houston market and the subsequent erosion of property values.

The search for a partner starts

'Each project stands on its own financially'

with those who already have a relationship with Hines.

First, Hines has to establish whether the institution with which it might strike a deal is in the market. It has to be clear that the likely financial structure of the project is compatible with the investment aims of the institution. The prospective partner must feel comfortable with the location - some institutions have geographical criteria for their investments.

The project is not put on general display. Only one institution at a time is approached. Should the response to the preliminary information be favourable, then

more detailed negotiations take place and it is at this stage that the proportions of equity participation are agreed.

Heads of agreement can often be drawn up fairly quickly but, as Mr Sklar notes, two pages of business terms can lead to 400 pages of legal documents. While this is going on, Hines might start construction, depending on its level of confidence in the market and on the movement of the negotiations.

This equity approach to financing springs out of a change in the markets during the late 1970s. Until then, says Mr Sklar, "virtually everything we did was financed through the US life companies." This was quite orthodox.

The life insurance companies would provide 25 to 30 years of mortgage finance at fixed rates, but would have no equity participation in the project.

The need for change came when the equity returns from property were outstripping the returns from the provision of fixed rate finance. In short, the institutions were paying somebody else to become rich. By spreading the equity participation, financial backers receive a better return, although they accept a higher risk. Hines takes a smaller slice of the profits, but lowers its risk.

Once the financial structure of the project is established, Hines takes charge of the development process, reporting back to the investor. "There could be penalties if we fail to meet the sched-

ules," comments Mr Sklar. "Generally speaking the major penalty is a reduction of our interest in the property if certain goals are not met."

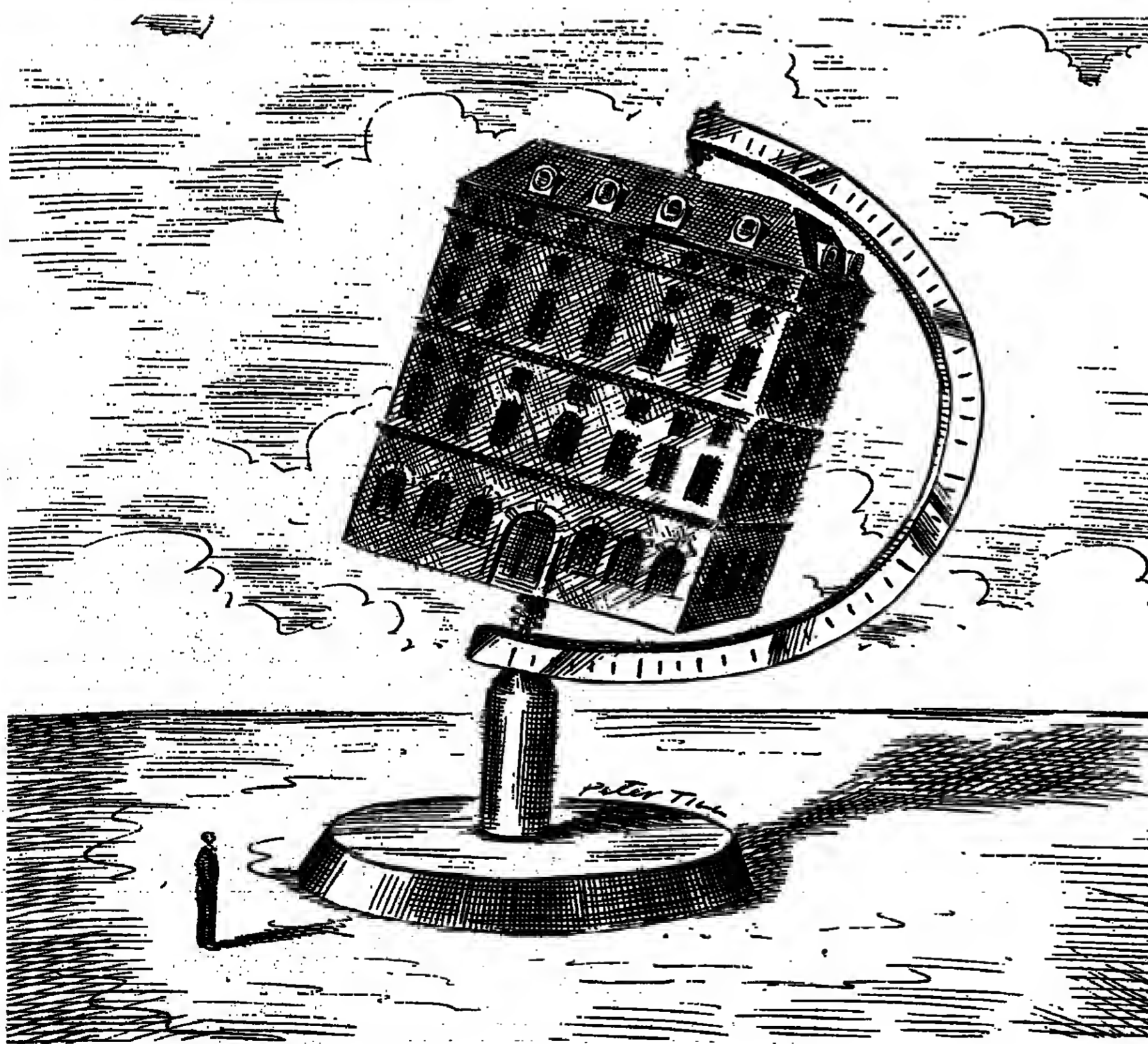
Hines also is responsible for the leasing of the new building and its continuing management. In accordance with normal US practice, tenants would lease space for between five and 10 years.

Normally Hines will not use debt instruments until a building is fully leased. The equity finance provides the money for construction. This contrasts with the more usual and less conservative practice, both in the US and the UK, of a developer seeking short to medium-term finance for construction and then converting that debt into a long-term mortgage or selling the building on.

After development and leasing, or after agreement has been reached with an occupier for the whole building, as in the case of the 57-storey towers for Norwest Corporation in Minneapolis, debt may be attached to a building.

Last year, for example, Goldman Sachs, the investment bankers, arranged \$100m of commercial paper with interest rate swaps, for the Norwest Center, which is being completed this year. It also placed with seven Japanese banks \$107m of commercial mortgage bonds on One United Bank Center, a Denver building developed by Hines where 42 per cent of a 1.17m sq ft tower is leased by the United Bank of Denver.

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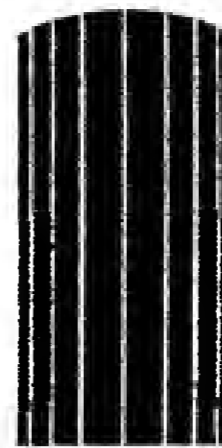
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MARCH, 1988



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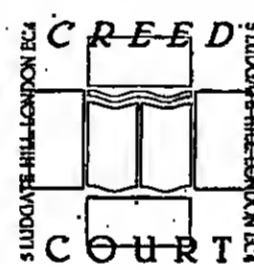
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GRAVESEND, 1/2 King Street and 34/35 High Street, Kent Substantial Freehold Investment on ground and two upper floors. Major part let to Woolworths p.l.c. Reviews from 1990.	150,022
GREENOCK, 10/16 West Blackhall Street, Strathclyde Reversionary Freehold Shop and Office Investment comprising two ground floor shops with self-contained offices above. Review 1993.	42,000
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ARTS

Arts Week

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8 9 10 11 12 13 14

Music

LONDON

English Chamber Orchestra conducted by Stuart Bedford with Arto Noras, cello and Louise Winter, mezzo-soprano, Handel and Haydn, Queen Elizabeth Hall (828 3191) (Tue)

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Itzhak Perlman, violin, Tchaikovsky, Royal Festival Hall (Wed) (828 3191)

Academy of St. Martin-in-the-Fields chamber ensemble directed by Kenneth Sillito with George Malcolm, harpsichord, Forcell, Arne, Handel, Bach, Royal Festival Hall (Wed)

Royal Philharmonic Orchestra, Pro Musica Chorus, Brighton Festival Chorus conducted by Sir Charles Mackerras with Stephen Roberts, baritone, Vaughan-Williams, Elgar and Walton, Royal Festival Hall (Thu)

TOKYO

Sergio Daniel Tempo (piano), Haydn, Beethoven, Chopin (Muz), piano concertos by Liszt and Chopin, with Tokyo Philharmonic Orchestra (Thu), Suntory Hall (068 1010); Jessye Norman, Tokyo Bunka Kaikan, Beethoven etc. (Muz) Shizuwa Women's University Hitomi Muraoka, near Sengenjaya Station (Thu) 079 3388; John Lill plays Beethoven piano sonatas, Casals Hall, Ochanomizu (Wed) (291

3228): Cecilia Ouselet (piano), Tokyo Philharmonic Orchestra, conducted by Argeo Quattri, Clementi, Mozart, Cherubini, Tokyo Bunka Kaikan, (Tues) (068 9596); Dang Thai Son (piano) Scriabin etc. Suntory Hall (Wed) (068 1010); Aurelia Niculet (soprano), Tokyo Bach Orchestra, Bach, Mozart, Suntory Hall (Thurs) (061 5638)

PARIS

The Excites Concert Louri, Rachmaninoff, Tcherapine, Liszt, Liszt (Mon), Comedie des Champs Elysees (65 04 12 42)

Festa Bourchoulatze recital (Mon), Theatre de l'Athenes (47 42 67 27)

Discoveries - 2 by the Ensemble Intercontemporain conducted by Kent Nagano, Jodi Yusa, Yves-Marie Paquet, Aaron Kernis (Mon), Centre Georges Pompidou, Grande Salle (42 78 79 85)

Teresa Berganza, mezzo-soprano, Juan-A. Pardo, piano (Mon), T.M.P. Chatelet (43 33 44 44)

Ensemble Orchestral de Paris conducted by Roberto Benzi, Jean-Jacques Kantorow, violin; Rossini, Paganini, Bizet (Tue) Salle Pleyel (45 63 88 78)

Orchestra de Paris conducted by Claus Peter Flor, Ghidon Kremer, violin, Jacques Teyssie, Timpani; Beethoven, Mahler, Schumann (Wed, Thur) Salle Pleyel (45 63 88 78)

Novel Orchestre Philharmonique de Paris, Radio France, Grand Auditorium (42 39 16 16)

Messiah, original version, performed by the Ensemble Vocal Aix Bourque and the Ile de France Baroque Orchestra (Thurs), Saint-Roches Church (42 61 89 38)

ITALY

Roma, Auditorium in via della Conciliazione, Giuseppe Sinopoli conducting Mendelssohn and Tchaikovsky, (Mon and Tue) (85 4104); Oratorio del Gonfalone, Flute concert by Riccardo and Susanna played by Angelo Persichilli with the Gerdolone Chamber Orchestra, (Thurs) (88 7882); Teatro Olimpico, Bruno Giuranna (viola) and the Quartetto Academico, Mozart and Brahms, (Wed) (88 3304)

Parma, Teatro Ducale, Gruppo Musica Insieme di Cremona conducted by Pietro Antonini playing Brtsov, Stravinsky and Wolf-Ferrari, (Wed) (33561)

NETHERLANDS

Amsterdam, Concertgebouw, Bernard Haitink conducting the Concertgebouw Orchestra in Mahler's Eighth Symphony, with soloists and massed choirs led by the Philharmonia Chorus of London (Wed), Dijkzak Periman, violin, and Bruno Canino, piano; Schubert, Prokofiev, Grieg (Thurs) (71 88 45)

Utrecht, Vredenburg Recital Hall, Schubert Quartet Mozart, Schubert, Verdi (Tue), Michael Ponti, piano; Mendelssohn (Wed), (21 45 44)

Groningen, Oostpoort, The Escher Ensemble Quartet (Tue), (13 10 44)

USA

New York, Carnegie Hall, Alfred Brendel piano recital, All-Schubert programme (Mon) (247 7800); Kaufmann Hall, The Vermont String Quartet, Beethoven, Britten, Dvorak (Tue) (988 1100); Carnegie Hall, City of Birmingham Orchestra, Simon Rattle conducting; Alfred Brendel piano, Hollway, Beethoven, Schubert (Wed), (247 7800); Kaufmann Hall, Colecl Martin-Mitchell Trio: Rawls, News, Sax, Saint-Saens, Vieuxtemps, Debussy (Wed) (988 1100)

Moscow, Bolshoi Theatre, Concerts Orchestra, Newell Jenkins music director, D'Anna Fortunato mezzo-soprano, Elaine Bonazzi alto, Jeffrey Thomas tenor, Ghak, Sammartini, (Wed) (382 8719)

Washington, Kennedy Center Concert Hall, National Symphony, Christofor Hogwood conducting, Loren Kitt clarinet, Judith Nelsson soprano, Catherine Robbin, mezzo-soprano, David Gordon, tenor, David Evtis, baritone, with Washington Bach Consort Chorus directed by A. Bailey Lewis, All-Mozart programme (Tue, Thurs), Enoch Frutbeck de Burgos conducting, Beethoven, Stravinsky (Thurs) (830) (855 8776)

Chicago, Orchestra Hall, Chicago Symphony, Klaus Tennstedt conducting, Blacher, Haydn, Dvorak (Thurs), Erich Leinsdorf conducting, Walter Klehn piano, Haydn, Stravinsky, Beethoven (Thurs), (488 8111)

Opera and Ballet

LONDON

Royal Opera, Covent Garden, Peter Hall returns to Covent Garden as producer of the capacity stretched new production of the comedy, directed by Christoph von Dohnanyi, with Maria Ewing in the title role, Robert Hale, Robert Tear, and Helga Dernesch. The revival of the ancient, threadbare Zeffirelli production of Lucia di Lammermoor serves for the first London showings in the title role of Edita Gruberova. John Pritchard conducts, and the cast also includes Luis Lima, Wolfgang Brendel, and Giorgio Surjan. (040 1068)

English National Opera, Coliseum: Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Hawesley, and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of Cavalletta, ruminations and Pagliacci, lively, inventive, over-detailed, return with a cast including Jane Eaglen, Arthur Davies, Angela Passey, Alan Woodrow, and Jack Stronach; and Janacek's Makropulos Case, with Josephine Burrows returning to one of her most celebrated roles as the three-centuries-old heroine. (838 3181)

Royal Opera House, Covent Garden: Royal Ballet triple bill (Tue)

PARIS

Antonia, T.M.P.-Chatelet: After a Chekov novella, in Vladimir Vassiliev choreography danced by Vladimir Vassiliev, Ekaterina Maximova and dancers from Moscow's Bolshoi (42 33 44 44)

Dance Anima, Theatre de la Ville: Daniel Laruie and the Company Astrakan, (42 74 22 77)

Spectacle des Ballets alternates with Boris Godunov and is followed by Swan Lake choreographed by Nureyev, Paris Opera-Palais Garnier, (47 42 83 73)

Boris Godunov, Salle Favart-Opera Comique, Estonia's Tallinn Theatre's austere production with accent on the title role constitutes a counterpart to the same opera given at the Palais Garnier in the simultaneous later version. (47 42 83 73)

WEST GERMANY

Berlin, Deutsche Oper, Siegfried and Gudrun, both produced by Günter Friedrich, both by Vinzing, Ingrid Bjoner, Hanna Schwarz, Toni Kramer and Martti Salminen. Der Rosenkavalier returns with Anna Tomowa-Sintow, Die Walküre and Reinhart Berger-Tuna, Der Troubadour in von Karajan's production features Maria Slatinaru, Carol Zeffirelli production of Lucia di Lammermoor serves for the first London showings in the title role of Edita Gruberova. John Pritchard conducts, and the cast also includes Luis Lima, Wolfgang Brendel, and Giorgio Surjan. (040 1068)

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ITALY

Roma, Teatro dell'Opera: Alberto Fassini's production of Roberto Devereux by Donizetti, designed by David Walker, Raina Kabanovska sings Elisabeth, with Salvatore Fisichella (Sass), Jean Philippe Lafont (Nottingham), Mario Ferrara (Lord Cecil), Cristina Angelakova (Sara) and Carlo Strilli (Sir Walter Raleigh), conducted by Julius Rudel. (46 17 23)

Milan, Filaria Drammatica (sung in German) in Michael Hampe's production, designed by John Gunter, Riccardo Muti alternates with Walter Weller, conducting a cast which includes James Morris (alternating with Alfred Murr in the title role), Robert Lloyd (Deland) and Deborah Poole (Senta), (20 91 25)

Naples, Teatro San Carlo: Verdi's Luisa Miller in Attilio Colombo's production with Juse Anderson, Susanna Anselmi, Roberto Scandini and Kurt Rydl, conducted by Egidio Gombosi. (41 71 44)

Turin, Teatro Regio: Lucia Valentini Terrani making her debut in Carmen, in a new production by cinema director Claude d'Anna, conducted by Serge Baudo. (04 90 80)

NETHERLANDS

Amsterdam, Muziektheater, The National Ballet with a new production of Swan Lake by Rudi van Dantig and Toer van Schuyk based on the Petipa/Ivanov choreography (Tue to Thurs), (25 54 58)

Georgina, Schouwburg, The Scapino Ballet Company in Coppelia, with the Northern Philharmonic Orchestra under Ed Spangard (Tue, Wed), (12 85 24)

NEW YORK

Lincoln Center Opera House, Metropolitan Opera, Final week of the season features Lohu conducted by James Levine with Catherine Malfitano, Tatiana Troyanos and Lenos Carlson. Jean Funari conducts Werther with Francesca von Studt and Alfredo Kraus. James Levine conducts Così fan Tutte with Kiri Te Kanawa, Susan Quittman, Heekyoung Hong and David Eseldin. (800 720 0000)

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockfield, a museum curator and friend of Shaw (Ray McAnally) and a remarkable address (Rosemary Harris). (427 2682, CC 494 3988)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical. Gemma Craven falls to wash the hair of the beautiful Julie. (427 2682, CC 494 3988)

Shirley Valentine (Vanderville). Patricia Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Costa Smeralda. (427 2682, CC 494 3988)

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally involving new musical by Andrew Lloyd Webber. (828 2244, CC 379 6151/240 7200)

Follies (Shaftesbury). Stunning revival, directed by Mike Ockent and designed by Maria Bjornson, of Sondheim's 1971 musical, in which polka-dot marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 8282)

Secious Money (Wyndham). Transfer of the Big Bang led to class summit and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6880)

Back to a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudeville of the age, has extended his triumphant tour to the Strand. (836 3028, CC 379 6880)

Everage has now earned full immunity to good taste, while the bilious digests of Sir L. Patterson touch new heights of degradation. (836 2880/4125)

Haggard (Aldwych). New Tom Stoppard's play, a splendidly timed and clever entertainment. Felicity Kendal is the spongy intelligent heroine. (836 3028, CC 379 6880)

Two of a Kind (Strand). Double meanings and double identities abound. (836 6404, CC 379 6283)

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Georgetown). My Tulin repeats her Tony-winning solo performance of the crazy people who inhabit her funny and strange imagination. (Georgetown) segment explores the women's movement over the past decade. Ends June 28, (254 8670)

The Mystery of Edwin Drood (Broadway). Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1, (254 8770)

TOKYO

The Wars of the Roses (Tokyo Globe Theatre, Shinjuku). The English Shakespeare Company opens Tokyo's newest theatre with their new production of the history play, the first in the cycle since Peter Hall's in the mid 1970s. The Globe Theatre of the Elizabethan original, but there is nothing academic or fustian about either its strikingly well-acted scenes or its complex plotting and thrust stage. It was designed by Arata Isozaki, winner of the Royal Institute of British Architects gold medal 1987. One of the most of the avant-garde, Isozaki's recent designs have favoured a return to tradition, but are always viewed with a keen eye for the past. (427 4781)

Banshin (Theatre Apple, Shinjuku). A recent survey indicates that Yusei Koyama is the most popular theatre group among today's young generation. Hideo Noda's production of the play, a strong vein of surrealistic humour, rather as if Monty Python were invited to attend a traditional Japanese festival. The music is by a high-energy comic performer of great charm and the entire company is skilled in song. (427 4781)

Hagoromo (Theatre Apple, Shinjuku). A high-energy comic performer of great charm and the entire company is skilled in song. (427 4781)

Yamato Takera (Shimbashi Enbujo). This is a new production by the kabuki theatre's greatest showman, Ichikawa Ennosuke, who has recently broken all the records that a new actor possibly break in Japan. Its sheer size and spectacle put it in the same category as the most extravagant Broadway musical. The story is based on one of Japan's oldest legends but is less important than the experience of watching the tricks that Ennosuke has concocted to make kabuki more appealing to a generation that has grown up on TV. (427 4781)

Kabuki (Kabuki-za). Kana Dehon Chushingura - the story of the 47 loyal retainers, one of the most famous events in Japanese history, made into countless plays, books and films, in two parts, at 11am and 8pm. Excellent English surphone commentary. (541 3131)

in a stage full of characters. But it has proved to be a durable Broadway hit with its marvelous lead role for an agile, engaging and deft actor, preferably British. (947 0020)

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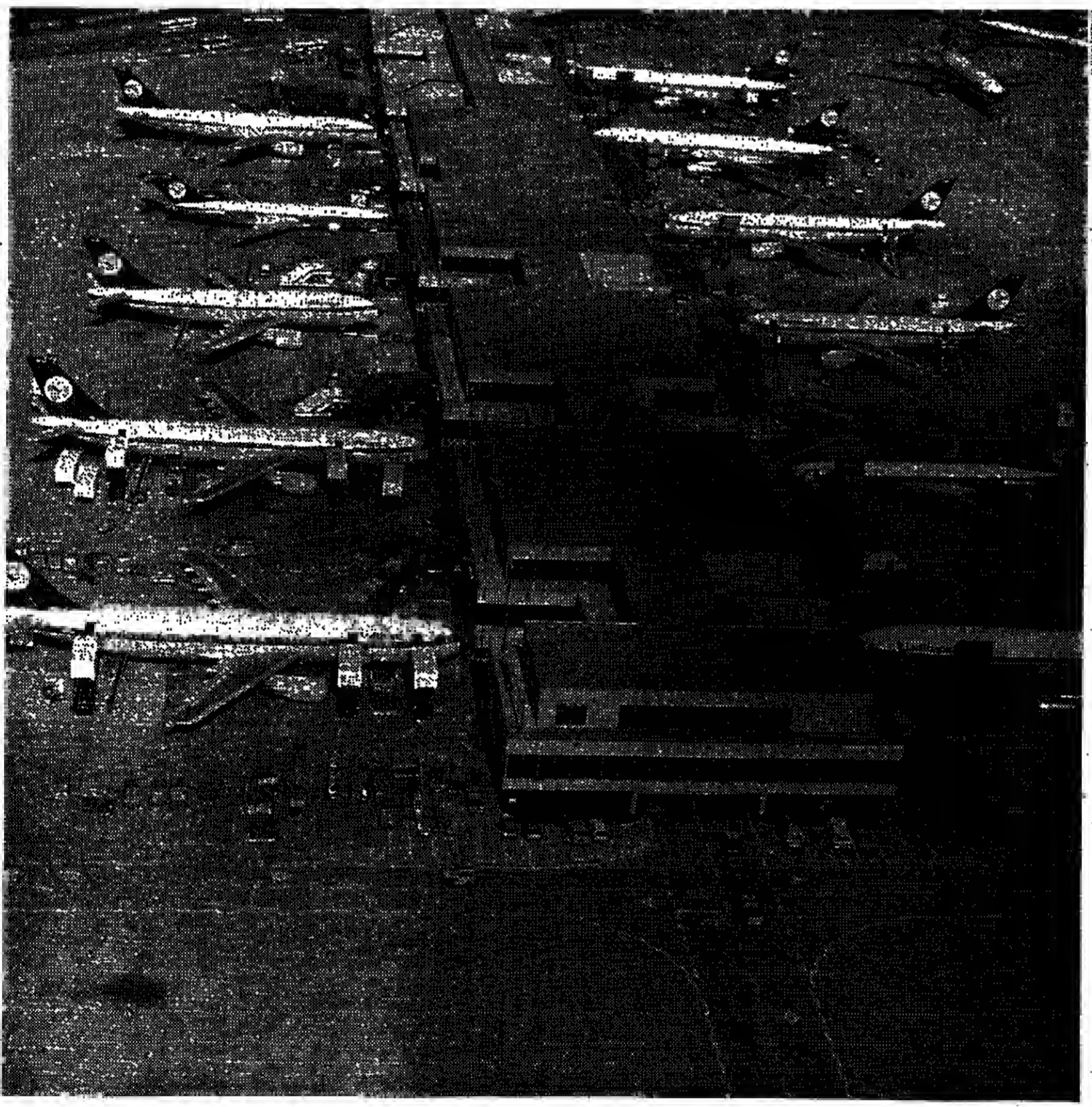
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Frankfurt. A good choice to be on-line with the world.



Lufthansa

WEST GERMANY

Berlin, Martin-Gropius Bau, Joseph Beuys (1921-1986). This is the complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1980s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political, radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stressmasterpiece 112. Ends May 1.

Bottrop, Joseph Albert Museum, Im Stadigarten 30. To commemorate the 100th anniversary of Josef Albert's birth, 100 paintings of the artist, born in Bottrop (1889-1976), cover the full range of his work. Ends May 5.

Hildesheim, Stadthaus-Haus Lowengasse/Dorotheenstr. From Marees to Picasso, 92 great works of European painting on loan from Wuppertal von der Heydt Museum and nine paintings from Marees. Ends April 24.

AMSTERDAM

Tropenmuseum, The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Fodor Museum, The Influence of Beethoven and Impressionism on the 19th-century Amsterdam school of painting. Ends April 17.

Rijksmuseum, Two hundred of the prettiest of the 18th and 19th century ornamental-prints, with designs for jewelry, weapons and furniture. Ends June 19.

Jewish Historical Museum, To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish art and Belgium. 62 light and memorabilia specially commissioned from modern Israeli and Dutch artists. Ends June 20.

Rotterdam, Boymans-van Beuningen Museum, The textiles of Norlene and inspired "By the Light of the Lagoon" and the long tradition of Venetian craftsmanship. Ends May 23.

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PARIS

Musee d'Orsay, Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musee d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still life by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft, impressionistic palette, underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with Impressionism and Post-Impressionism, structured by a strong dose of Japonisme, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 45 14). Closed Mon. Ends May 15.

Centre Georges Pompidou, Le Derrier Picasso 1963-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 85 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix's Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model, and finally to the basic themes of the archetypal woman, the couple, the man. (42 72 23). Closed Tue. Ends May 16.

Centre Georges Pompidou, Marc Chagall. Forty-six paintings, 400 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. From his beginnings in Russia to his last years in the South of France, aloof from the time, he remained the painter of the poetry, dreams and mysticism. The public thus has a preview of the gouaches in which the strength of line of his drawings is matched by the glory of colours in his paintings. (42 72 23). Closed Tue. Ends June 6.

Petit Palais, Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful femininity beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon. Ends May 7.

Grand Palais, Degas. An important retrospective of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers - there are two versions of La Classe de Danse - and of jockeys and race courses, of washer-women, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculptures complete the vision of Degas and invention of the painter who helped to usher in modernity. Grand Palais (42 36 89 24). Ends May 16. Closed Tue.

WEST GERMANY

Berlin, Martin-Gropius Bau, Joseph Beuys (1921-1986). This is the complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1980s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political, radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stressmasterpiece 112. Ends May 1.

Bottrop, Joseph Albert Museum, Im Stadigarten 30. To commemorate the 100th anniversary of Josef Albert's birth, 100 paintings of the artist, born in Bottrop (1889-1976), cover the full range of his work. Ends May 5.

Hildesheim, Stadthaus-Haus Lowengasse/Dorotheenstr. From Marees to Picasso, 92 great works of European painting on loan from Wuppertal von der Heydt Museum and nine paintings from Marees. Ends April 24.

AMSTERDAM

Tropenmuseum, The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Fodor Museum, The Influence of Beethoven and Impressionism on the 19th-century Amsterdam school of painting. Ends April 17.

Rijksmuseum, Two hundred of the prettiest of the 18th and 19th century ornamental-prints, with designs for jewelry, weapons and furniture. Ends June 19.

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LONDON

Tate Gallery, David Bomberg. A full retrospective of one of the most distinguished British painters of the century, yet one whose secure critical success came only after his death in 1957, at the age of 68. As a

Continued on Page 17

Cinema/Nigel Andrews

Stories in the news



William Hurt as Tom Grunick, the anchorman in Broadcast News

Broadcast News (15) Oscar
The Believers (15) Leicester Square Theatre
The Time To Live And The Time To Die (PG) MCA

Broadcast News, James L. Brooks's first film since his Oscar-winning debut, Terms of Endearment, is a fitting moral comedy whose effervescence seems part champagne, part Alka-Seltzer. Its first aim is to get us a little drunk; its second is to do us a lot of good.

The chief disorder Brooks wants to cure is the way we digest our news through television. Here in England we have escaped lightly, with more-or-less newspaper reading more-or-less sober. In America, TV news has become the showiest since Barryman Bailey. Licensed egomaniacs known as "anchors" sit at desks pulling in stories from reporters in the field.

Brooks puts the timely boot into all this. William Hurt is the handsome smoothie newly elevated to anchorman on a top TV news show. Albert Brooks, a reporter with a good brain but a terrible tailor and hairdresser, is his rival: a man all substance and no showmanship. Holly Hunter is the spirited young lady producer who juggles both men's fates, in work and in love. That's it for the plot. The romantic question is: will Hunt Hunter go for the flash charm of Hurt or the in-depth decency of Brooks? The career question is: who will, and up winning and keeping on the TV news show. Mr Show-Off or Mr Still-Water-Run-Deep?

Writer-director James Brooks's last movie did not run deep, it just ran on and on both as a hit at cinemas and, for use as bait, as an endurance test on screen. Terms Of Endearment was a wicker soap-opera whose sappy fusts were mainly redeemed by Jack Nicholson. Nicholson is on show again here, briefly, unbelieved, as a smug anchorman from New York. But around him there are scarcely any legends at all. When not leading out witty insights into life before the news cameras - including such momentous ethical matters as which tie to wear with which shirt - the film has the screwball flair of a 1930s comedy.

The movie never lets us doubt its intimate grasp of backstage TV life. Brooks himself spent years masteringmind programming such as The Mary Tyler Moore Show and Los Grands, and

he knows how to top our adman-in-reserves with scenes of "will they get it right on the night?" Like the more portentous Network, Broadcast News also hints at a kinship between rampant workaholic and sex. When Miss Hunter whispers favored prompts into Hurt's earpiece during his first broadcast, it is the start of their flirtation. And in the ensuing comical-romantic battle for her favour between the flash TV star and the worthy maladroitness and virtuosity fight it out, with the soul of America - or at least the American media world - implicitly at stake.

Through there are signs of the more famous Brooks we remember from Endearment - notably in the musical syrup provided by Bill Conti (this man should be denied all access to violins and pianos). Broadcast News moves so fast it keeps one step ahead of the pursuing clichés.

Brooks's movie is a handsome smoothie newly elevated to anchorman on a top TV news show. Albert Brooks, a reporter with a good brain but a terrible tailor and hairdresser, is his rival: a man all substance and no showmanship. Holly Hunter is the spirited young lady producer who juggles both men's fates, in work and in love. That's it for the plot. The romantic question is: will Hunt Hunter go for the flash charm of Hurt or the in-depth decency of Brooks? The career question is: who will, and up winning and keeping on the TV news show. Mr Show-Off or Mr Still-Water-Run-Deep?

work is evident all over town. Eviscerated youngsters lie about the place like discarded dimers, and police lieutenant Robert Loggia has had just about enough. Loggia is a subtle understudy; and is on the point of throwing up at the sight of it all.

The audience too. Likewise at the sight of Messrs Schlesinger and Sheen getting involved in this drive, scripted by Mark Frost from a Nicholas Conde novel. Sheen is excellent, and a brave supporting cast rallies round. But not even they can bring redemption. The heroine, attractive ladylike Helen Shaver, has no sooner rekindled Sheen's emotional cooties than she grows a boil on her cheek which bursts to discharge a clutch of spiders. There are some skin complaints about which you can do very little. However, she recovers and is instrumental in a last scene strongly indicative of the makers' ambition to make Believers 2. We should be so unlucky.

All the more relief to turn to The Time To Live And The Time To Die, a Taiwanese film of dazzling grandeur and simplicity. Writer-director Hon Hsiao-Hsien made a brief bow to British audiences last year with A Summer At Grandpa's, a scrapbook of childhood whose funny, astringent images were pasted in with no concessions to nostalgia or sentiment. Here again, in a consciously autobiographical film, are Hsiao's grown-faced children, life-battered parents and mildly wacky oldersters. The movie spans ten years in the hero's life: from a childhood in the early-50s buffeted by obscure gusts of political messiness (his parents keep referring to mainland China as "home") to an adolescence patch-quilted - as many adolescences are - from sex strings, struggles with school exams, gang loyalties and the regular thud of family bereavement.

The film raises master-of-factness to an epic style. No episode is highlighted more than any other. Grandpa's doti wanderings into the Taiwan countryside - who thinks she knows a road that leads straight into China - are treated with the same deadpan, unflinching truthfulness as Mother's death from cancer. Life for the hero unfolds like the pages from an uncomprehending diary: a diary someone else has written and which he and we may finally come to understand.

The camera scarcely moves, the cycles of life scarcely change, and the brilliantly directed cast scarcely seem like actors at all. The movie has a glow of unforced compassion unlike any other film now in. Give yourself a treat and see it.

The Common Pursuit/Phoenix

Michael Coveney

Simon Gray's 1984 play about Cambridge students graduating into treacherous adult life while perpetrating an under-funded literary magazine is re-launched in London with some brave and unlikely casting. Rik Mayall is now the conching media man Nick Finchling, Stephen Fry the post-philosopher Humphry Taylor and John Sessions the magazine's founder and the play's main-spring, Stuart Thorne.

For all his tinkering and slight improvements, Gray's play remains structurally hamstrung. The characters progress from a summit college room to magazine offices in Holborn 20 years later across four scenes. At the Lyric, Hammersmith, in Harold Pinter's production, the slight improvements, Gray's play remains structurally hamstrung. The characters progress from a summit college room to magazine offices in Holborn 20 years later across four scenes.

Not much else in the play matches this sequence for dramatic excitement. John Gordon Sinclair may have had trouble dipping his wick in Gregory's *Girl* but his onstage love life as the hitheby Scottish Peter is a heroic tangle of mounting sills and stolen afternoons in the Charing Cross Hotel (post-coital views of the Strand alim).

The epilogue works well now, mainly because we are still plugging for a continuation of the first scene. David Jenkins's design looks both efficient and handsome, the college room anguished by candles and that men's high-tech furniture. Stuart loyally preserving space on the walls for photographs of Anden, Yeats, Eliot and Leavis. But as a play about selling one's soul, *The Common Pursuit* remains a tantalising and finally unsatisfactory near-miss.

good is in the shifting, edifying waters of suspicion and affection within the closed group. Paralysis sets in early in the second scene, but Mr Gray's new cast recover well with some accomplished limbering up, very little of it in the tongue "alternative comedian" style you might have expected. I find it hard to grasp that anyone played by Rik Mayall should nurse ambitions of being a drama critic - such loony Oxbridge contemporaries of mine ended up in either the Church or the City - but he makes a fine job of charting his success story while cheerfully succumbing to epilepsy.

The Kenneth Tynan mould is resoundingly broken, so that Mr Mayall's coughing chancer becomes a hideously recognisable shiny-suited back-stabber with electrifyingly furtive eye language and ever-increasing cigars. He arrives in the magazine offices with news of a new arts job on TV just as the leading siren Marigold (Sarah Berge) tells husband Stuart that she's pregnant by Martin (Paul Mooney).

One regrets Stephen Fry: a sense of some of this does not actually rub off on this play. It struck me in New York that another problem is that Stuart is a familiarly underwritten central role. Originally, Nick Le Prevost, compensated by hinting at hidden depths that never existed, in New York, the actor I saw was plain embarrassing. John Sessions is a spry and pookish Stuart, but the role comes across as deeply and monotonously uninteresting. One cares not a hoot about his silly magazine, or his Leavitts notions of academic integrity, and it is no surprise that the most important should be right royally cucked-off by his business manager. Where the writing is notably



Simon Callow (top) as Faust and Peter Lindford as Mephistopheles on the set designed by David Roger

Faust, Part 1/Lyric, Hammersmith

Martin Hoyle



Simon Callow (top) as Faust and Peter Lindford as Mephistopheles on the set designed by David Roger

Weighting in at three hours, Part 1 of Goethe's allegedly unstageable life's obsession has arrived in Hammersmith. In the next few months Faust can be seen at Zurich and Milan, where Giorgio Strehler has additional plans to stage various operatic versions of the story. Meanwhile London awaits next week's launch of Part 2, much longer and reputedly even harder to portray theatrically.

I suspect the impact of David Freeman's Lyric production will be cumulative, not merely because a quarter-century separated the writing of Parts 1 and 2 but because Goethe's chronicle of a soul's journey, like Dante's, is couched in increasingly abstract terms. Before attempting the nearly-impossible task of unifying widely disparate elements, however, the production gives us the relatively straightforward opening drama of passion and conscience, material variously familiar from treatments by Bertoldo, Gounod and Marlowe, whose Fausts took literary coals to Newcastle by popularising the story in Germany through the performances of strolling English players.

The messy prologue has normally-clothed young people strutting on stage from wings and auditorium, earnestly discussing Life and Drama. The always pleasurable spectacle of actors being Real People (apart from a scarcely discernible tendency to gesticulation, make-up for both sexes and conversing in rhymed couplets) gives way to the striking unveiling of David Roger's set. Rightly parbed archaisms are suspended on ropes high above the stage. The acting area is spanned by an arch, a curved ladder on which the cast can cavort, the devil dangle and Faust clamber. Ruined walls, the trappings of the occultancer's study (book, furnace, books) and forest backdrops make up the handsome ambience.

Goethe's beloved doggerel-like *Katzenlied* is rendered by Robert David MacDonald into rhymed pentameters with occasional forays into the four-stress lines of Goethe's folk model. Given the original's often heavy tone, the jokes are right, and Mr MacDonald's notorious false rhymes (English/language, home chance/conscience) are less jarring than usual. Most of the dialogue is in all-purpose generalised transliteration. It could be Molière or Racine or even Shakespeare.

derness. Linda Kerr Scott's acrawny Scots-accented Martha is a touching change from the loopy comic mezzo of the operatic version. For integrity and control, Peter Lindford's Mephistopheles is outstanding. Intelligent, unexaggerated, physically agile, his evil understated, the performance grows in stature throughout the evening and may well be remarkable by Part 2.

At the moment Mr Freeman's production seems oddly old-fashioned, and on one is actually lured Gretchen should surely not prompt laughter, as at a catch on the boundary. Judgement reserved until next week.

Classical Players/Elizabeth Hall

Andrew Clements

Though the cutting edge of Roger Norrington's explorations into period performances has moved into the romantic 19th century - witness the revelatory Berlin weekend in February - another strand of his concert-giving with the London Classical Players, is still deeply involved with Beethoven. The programme at the Elizabeth Hall on Wednesday enclosed the Third Piano Concerto with two symphonies, the Fourth and Fifth.

It proved an exhilarating evening, a demonstration of lithe, pungent playing in which Norrington's nerve and propulsive sense never hinted at head-driving insensitivity. The emphasis on light-textured flexibility was as much characteristic of the first movement of the Fifth Symphony as it was of the finale of the Fourth, the former unusually

first movement of this concerto, for instance, the timpani beats that underpin the soloist after the cadenza match the sound of the period but with more closely than their modern equivalents; instrumental evolution has made the sounds of piano and timpani diverge, so the passage seems curious rather than mysterious nowadays. Tan realised moments like this with extreme care, and dwelt fastidiously upon the expressive potential of every phrase. The interlocking of the solo lines with the flute in the slow movement was exquisitely done, and emphasised the capricious spirit of those performance. Norrington's players listen intently to one another all the time, so that every phrase is as minutely fashioned as in the most intimate chamber music, demanding the closest attention.

A Woman of No Importance

Anthony Thorncroft

Oscar Wilde, the prince of paradox, would not be surprised to learn that it is his plays which seem more relevant to the world of the 1980s than his works of his preaching contemporary Shaw. None more so than *A Woman of No Importance*, which attempts that most impossible of theatrical forms, the epigrammatic melodrama.

It is an issue play, the issue being the role of women, or rather mothers, in society. Twenty years previously, Lord Illingworth had used and cast aside Mrs Arbuthnot. Staying with old Lady Hunstanton at her place just outside Wrockerly, he is impressed by an ingenious young youth who he offers to make his secretary. The boy is his son. Must Mrs Arbuthnot sacrifice her only comfort to the man who ruined her life?

There are possibilities for high drama here in the third act finale, with truths exploding like firecrackers while son, over the body of swooning mother, attempts to murder father who has "Sir Jasper" the sweetest girl in the world, came wondering for the Victorian love of grand guignol.

Unfortunately, the cast has been so lulled into patting aphorisms at each other during the first half that it finds the switch to action rather a strain. Wilde, forget the Wrockerly, has long stretches of the evening, preferring to trot out popular favourites among the witticisms honed on his cronies at the Cafe Royal bar.

The play sounds like a dictionary of quotations. This is where

they all came from, the Wilde epigrams about the unspeakable and the unseeable; men's tragedy in not turning into their mothers; nothing succeeding like excess; and on and on. One is actually lured Gretchen should surely not prompt laughter, as at a catch on the boundary. Judgement reserved until next week.

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Continued from Page 16 young men in London before the First World War, Lombard was associated with the British colony in North America, a royal treasury covering four Swedish monarchs and the riches of the East. It will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Swedish Academy of Fine Arts. The most recent national museum and the royal collections. Best Wing, Ende Sept 5.

CHICAGO Art Institute. A contemporary retrospective of the work of Georgia O'Keefe evokes the world of flowers and shells in the luminous light of New Mexico. Ende June 28.

TOKYO Spiral Garden, Ar. Omotesando. Kodama is a Japanese word which can mean either spirit of wood or echoes. This exhibition features wooden sculptures by two Japanese artists whose works complement each other. Shigeru Kubota's hollowed-out trees are inspired by nature while Akishiko Sekiguchi is influenced by the urban environment and uses processed wood products. The Spiral Building itself is a fine example of modern Tokyo architecture and is worth visiting on a Sunday for the excellent Tokyo Metropolitan Art Museum, Ueno, Japan to the 1980s. More than 400 works (paintings, photographs, posters, designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Grand Mar. On Memorial Museum, Harajuku. A peaceful haven amidst the bustle and bustle of one of Tokyo's trendiest districts. This most recent representative selection of wood-block prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Mann collection in the US. Closed Mar.

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Friday April 8 1988

Mitterrand plays safe

MR FRANÇOIS Mitterrand's programme for re-election to the French presidency, which has just been published, bears the unmistakable hallmark of its author. In keeping with the literary inclinations of the President-elect, it has been penned in the form of a "Letter to all Frenchmen" and in a conversational style that does not permit the kind of precision one would expect from a more traditional manifesto. Policies are sketched out to general terms and those who expected to be told something new and original will be disappointed.

Consensus

Indeed, in many fields, it is difficult to distinguish Mr Mitterrand's programme from that of his main rivals, Mr Jacques Chirac, the leader of the neo-Gaullist RPR, and Mr Raymond Barre, the representative of the centre-right. Thus, everyone is falling over themselves to support greater European unity, including monetary co-operation and defence. Even in the economic sphere, the subject of the most bitter controversy in the 1981 presidential and parliamentary elections, there is a surprising degree of consensus. Mr Mitterrand, wisely, has given up undertaking not to revert to the former Socialist government's nationalisation policy, which was disavowed by the voters in the 1986 general election and subsequently reversed by Mr Chirac's government. But one looks in vain for any hints of the policies which a new government might be appointed by Mr Mitterrand might pursue, apart from the introduction of a wealth tax, originally introduced by the Socialists, but then abolished by the Chirac government.

While in another political context such omissions would be distasteful, they are more comprehensible, though not entirely excusable, in the case of a French presidential election - which traditionally focuses more on the personalities of the candidates than their policies. A French President, it is generally accepted in France, should stand above party politics and embody the nation as a whole, a role that Mr Mitterrand, whose ideological roots do not go very deep, is eminently qualified to fulfil.

Challenge for trade unions

THE TUC's attempt to persuade union leaders to agree a common policy on single unions, no-strike agreements, is a litmus test of the British union movement's ability to respond to the demands of economic competitiveness. If union leaders impose restrictions which would make it impossible for unions to sign such agreements, they will be turning their backs on a central challenge facing British companies and their workers.

Reinterpretation

Single union, no-strike agreements have arisen as companies have modernised production methods, working practices and industrial relations to meet competition. A common policy on these agreements will be an important signal of the unions' long-term acceptance of the need to enhance competitiveness. The debate over no-strike agreements has crystallised this question: how far should the union movement's fundamental principles be compromised to accommodate the need for improved competitiveness?

The indications from the development of industrial relations over the last few years suggest such an accommodation is possible. The level of strike activity is at a 50-year low, but many union members are enjoying the most sustained rise to real earnings for many years. Accepting restrictions on strikes has in some cases brought unions other major benefits in terms of employee involvement, and other terms and conditions.

What matters about strike-free agreements is that they are as much a commitment to a style of industrial relations as a mechanism for resolving disputes. They represent one extreme of a range of measures which employers and unions have taken in recent years to make strikes less likely. As Mr Norman Willis, the TUC's general secretary, said on Wednesday, unions exist not to organise strikes, but to resolve disputes without strikes. In real life, industrial action will stem from real tensions in industrial relations which paper agreements may not prevent. If workers are sufficiently angered by an employer's actions, they will probably consider, threaten - and ultimately take - industrial action, no matter what an agreement says.

Moreover, there are good tactical reasons why Mr Mitterrand has chosen to adopt a non-controversial stance on what can be described as the fundamental core of policies which are part of any government's programme. It is one thing hitting out at the neo-Gaullists for planning to take over the state and its administrative structure, a missile targeted specifically on Mr Chirac's RPR party. It is quite another advocating a policy, such as re-nationalisation, which would alienate most of the Centrists as well as the Right.

For Mr Mitterrand, who continues to have a big lead over his two main rivals in the public opinion polls, has to woo the centrist and undecided voters, whose support he will need in the conclusive run-off on May 8 between the two leading first round candidates. On the widely accepted view that Mr Mitterrand will emerge in the lead in the first round and that Mr Chirac will come second, the RPR leader will attempt to form a solid right-wing front. But the polls show that a significant body of Mr Barre's centrist supporters, estimated at something like 25 per cent, will transfer their votes to Mr Mitterrand and not Mr Chirac, if their own candidate is eliminated.

Master tactician

That is by no means the only tactical consideration Mr Mitterrand has to have in mind. If he is elected, as expected, he will want to form a government which, to use his own words, "reflects the new presidential majority." That is generally interpreted to mean that Mr Mitterrand will not want to repeat his experience of "cohabitation" with the neo-Gaullists, but will instead appoint a Prime Minister able to win a wide measure of Socialist and centrist support in the National Assembly.

No-one will deny that Mr Mitterrand is a master tactician with few equals. However, it must be a matter of some regret that an election which is generally accepted in France, should stand above party politics and embody the nation as a whole, a role that Mr Mitterrand, whose ideological roots do not go very deep, is eminently qualified to fulfil.

Not surprisingly, the debate has been clouded by a good deal of confusion. The TGWU general union and the MEF general technical union, which have led opposition to no-strike agreements are also party to perhaps the most far-reaching no-strike agreement ever signed, at IBC's van plant at Luton.

While the AEU engineering union and the EETPU electricians union have blustered about withdrawing from the TUC, the reality is they would lose much more than they would gain by such action. The bulk of their members work for companies which recognise several TUC unions; to operate effectively the AEU and the EETPU have to cooperate with these unions. Withdrawing from the TUC would jeopardise their services to the majority of their members. Both unions and companies could benefit from clearer ground rules set by the TUC to govern no-strike agreements, so long as the rules allow unions considerable flexibility to sign these agreements. Companies would have greater certainty about the conditions under which a TUC affiliate was signing a deal. It is likely there would be fewer cases where companies entered agreements only to have them challenged by other unions.

Periodic ballots

For the unions ground rules would go some way towards preventing them from offering a downward spiral of terms and conditions in competition for recognition from employers. In addition it also seems reasonable that workers should be periodically balloted on whether they want to maintain a no-strike agreement.

A TUC policy which sanctioned single union, no-strike agreements would not lead to a flood of such agreements. It would be a recognition that to be successful unions have to adapt to different circumstances. The industrial relations of greenfield sites differ markedly from the public sector or the coal industry. What the TUC must not do is adopt a procedure which would virtually rule out these agreements. To do that would be to provide clear evidence that they have little to contribute to the task of raising the economy's competitiveness.

Philip Stephens looks ahead to next week's meetings of international finance ministers and central bankers

CO-OPERATIVE CALM is the image that the Group of Seven industrial nations plan to project at their meeting next week in Washington. Those who scratch beneath the surface might be forgiven for mistaking it for careless complacency.

As finance ministers and central bankers from the US, Japan, West Germany, France, Britain, Italy and Canada get together for the first time since last October's stock markets crash the official message runs as follows. ● The industrialised world has more or less shrugged off the impact of the crash, which anyway was a reflection of the previous speculative run-up in share prices rather than a sign of impending economic doom. ● Output looks set to continue to grow at a moderate pace both this year and next, international payments imbalances are narrowing and exchange rates have held relatively stable. The debt crisis remains containable and now help on the way from the International Monetary Fund (IMF) for the very poorest countries in Africa. ● So the seven must stick with their commitment last December to policy co-ordination and exchange rate stability and, in the words of one European central banker "keep their nerve". Now is the time to review progress and to reinforce mutual confidence - not to launch new initiatives.

This approach means that "low-key" and "uneventful" are the favourite adjectives of senior officials preparing the talks. Journalists have been guided to let financial markets know that they should expect, at best, only the briefest of statements after the G-7 meeting.

To reinforce the mood of reassurance, the officials add that discussion of improvements to the IMF's lending programmes for Latin American debtor countries will occupy much of the time at meetings with wider groups of finance ministers later to the week.

During the week, Mr James Baker, the US Treasury Secretary, will be pushing his idea for a new commodity price indicator, including gold, as an early warning of world inflation trends. Some US officials hope that such an indicator could play a pivotal role in international policy co-ordination. European ministers are sceptical, but seem happy to go along with setting one up if it will help the Republican Party pick up a few extra votes in the November presidential elections.

Such issues aside, the overall message on the economic outlook is not without substance.

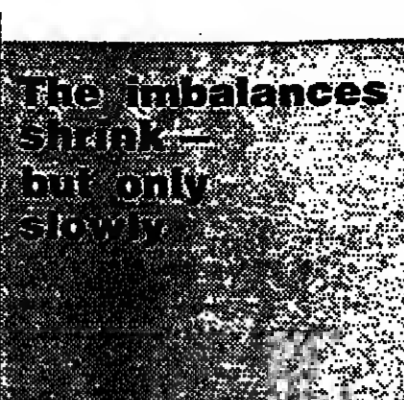
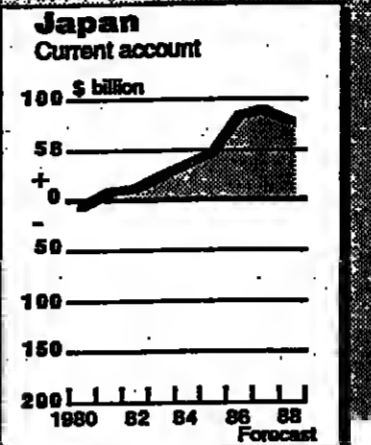
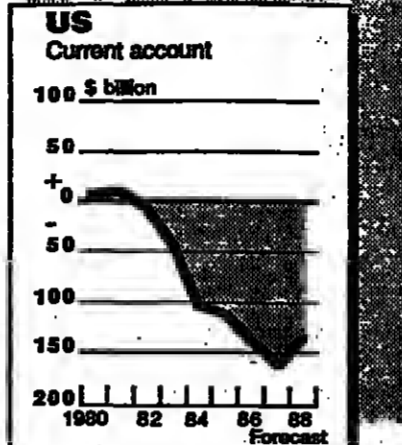
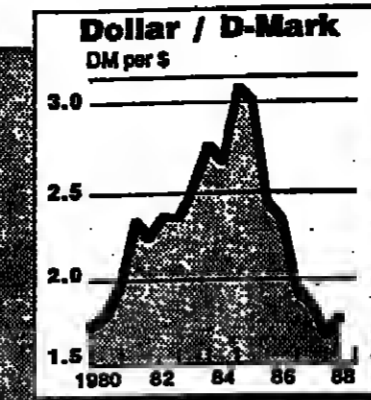
The latest forecasts from the IMF, to be published next week, suggest that growth in the industrialised countries will average 2.5 per cent in 1988 and 2.7 per cent in 1989 (see table). The Fund's economists believe that the huge US trade and current account deficits and the parallel surpluses in Japan and West Germany will continue to shrink this year and next.

The pattern of economic growth in the largest economies - what domestic economists are at last beginning to output in the US and the reverse occurring in Japan and West Germany - points in the same direction.

More importantly from the perspective of foreign exchange markets, the longstanding improvements in the volume of trade cannot be reflected in the monthly US figures. The markets remain nervous ahead of next Thursday's publication of the February figures, but the fall in the deficit to an average of \$12.5bn (\$5.7bn) in the previous three months has provided reassurance that some progress is being made.

But the deliberate lack of action next week will have as much to do with politics as with confidence in the economic outlook.

The US election has ruled out the possibility of measures to reduce the US budget deficit beyond those envisaged by the Gramm-Rudman-Hollings Law. West Germany is stuck in its own



There is nothing to fear but the lack of fear itself

domestic political immobility and has finally dashed any lingering hopes that it might become a locomotive pulling Europe out of its economic torpor.

Japan's political leaders, who last year at last kept their promises to stimulate their domestic economy, now seem to be looking again to fiscal retrenchment. Mr Edouard Balladur, France's Finance Minister, is still pressing for reform of the international monetary system, but has the coming French elections more firmly in mind than any hope of real progress.

Even Mr Nigel Lawson, Britain's Chancellor of the Exchequer, is feeling the pinch of political constraint. At last September's annual meeting, he launched a grand initiative for a new world monetary order based on "managed floating" of exchange rates. After the Prime Minister's insistence last month that "not cannot back the market", and the pound's subsequent surge in value, the plan has been quietly shelved.

The mutual interest in keeping the show on the road is self-evident. Above all, the salutary experience of last October's financial markets crisis has imposed their own, unwelcome, solutions. The Fund's judgment is that, on the basis of present policies and exchange rates, international payments imbalances will shrink in the short term, but remain at unsustainable levels.

Its projections for the US current account point to a fall in the deficit from a peak of \$160bn last year to just

from last autumn in stronger shape than many imagined, there are still plenty of clouds on the horizon. Trade balances are moving in the right direction but not fast enough. European growth rates remain mediocre. The debt crisis looks as far from resolution as ever.

The IMF's latest World Economic Outlook, which has already been distributed to finance ministers, underlines the risks. Though the phrasing is

IMF forecasts for GNP growth

Percentage	1987	1988	1989
US	2.9	2.5	2.9
Japan	3.8	3.7	3.7
W. Germany	1.7	1.7	1.7
France	2.1	1.6	1.6
UK	4.0	2.6	2.1

under \$140bn in 1988 and to just below \$130bn in 1989. Without renewed action to cut the US Budget deficit or a further fall in the dollar, the Fund sees little improvement beyond that.

The forecasts for 1988 and 1989 are regarded as slightly pessimistic by economists at the Paris-based Organisation for Economic Co-operation and Development. But both organisations share the view that, on present trends, the US deficit looks set to remain above \$100bn into the foreseeable future. Both are doubtful whether overseas investors will be willing to continue to finance such deficits.

That puts a large question mark over the wisdom of efforts to hold the dollar in its recent straitjacket, particularly if stability requires higher US interest rates. For the moment the US economy looks relatively robust, but higher interest rates would weaken growth throughout the world. They would also exacerbate the debt crisis, adding to the problems of the American banking system and might trigger renewed turbulence on stock markets.

The US currency is now much closer to a sustainable level, and no-one would gain from a free-fall in its value, but some further, controlled, depreciation may be both inevitable and helpful. Japan's surplus, and notably its bilateral surplus with the US, looks particularly intractable, despite the recent rapid growth in its domestic economy. The farcical ability of Japanese industry to adjust to an appreciating yen has

surprised even its most fervent admirers. A continuing gradual rise in the yen's value may be needed for both international and domestic reasons - to cut the trade surplus further and to dampen the inflationary potential of buoyant demand at home.

Some of the more candid European central bankers admit to their diminishing enthusiasm for further strong intervention to prop up the dollar - beyond attempts to ensure that any decline remains orderly.

Exchange rate immobility within Europe may also not possess the miraculous virtues that governments have claimed for it. It is now generally accepted that West Germany's economy will grow by, at best, 2 per cent a year in 1988 and 1989. Growth in domestic demand may be faster - perhaps 2.5 to 3 per cent - but will hardly act as a dynamo for other European economies.

With a sharp rise in the federal budget deficit in prospect for 1988, West Germany's partners have virtually given up demanding that it should do more to boost its economy. The Bonn Government still faces international pressure to introduce a Thatcherite programme of supply-side economic reforms.

By resisting devaluations of their currencies within the European Monetary System, countries like France and Italy are shackling themselves to similar unhelpful growth rates.

The potential for faster expansion in Europe is much greater outside West Germany than within it. But, unless they devalue, neither France nor Italy can grow more rapidly without facing widening current account deficits. A stable French franc may provide political and emotional satisfaction in Paris but, according to the IMF's projections, the price may be a growth rate of little more than 1.5 per cent in 1988 and 1989.

If another year of economic growth of less than 3 per cent is enough to meet the political requirements of the Group of Seven, it hardly brightens the outlook for developing and in particular, for heavily-indebted nations. Industrial nations have succeeded in containing the debt crisis and in limiting the risks to their banking systems, but soothing words will not solve it. The prospect of debtor countries eventually shaking off the burden through faster economic growth is as distant as ever.

Heavily-indebted middle income nations have seen their per capita incomes fall by nearly 15 per cent during the 1980s and the outlook is for a further drop in 1988. Economic growth rates in Latin America of just over 2 per cent this year and perhaps 3.5 per cent in 1989 look poor.

As a recent World Bank report said bluntly: "No country involved in rescheduling its debts has significantly reduced its debt ratios." Commercial banks show no enthusiasm for new lending and indebted countries paid in interest and capital \$20bn more than they received in fresh finance last year.

The West's present management of the debt crisis, according to one senior World Bank official, cannot even be described as "muddling through". That would imply a light at the end of the tunnel that has yet to appear. "Muddling on" is a more apt description. Against that background, efforts to introduce more flexibility into Fund programmes for Latin American debtors - to cope with unexpected falls in export prices or rises in interest rates - look at best like another sticking plaster.

None of this, of course, will prevent ministers next week from telling the world, and their electorates, that prospects are bright and that there is no alternative to their gradualist approach to the problems of both the industrialised and developing world.

Some people might remember, however, that the last such statement of self-satisfaction was followed three weeks later by Black Monday.

Right Royal mount

THE Princess Royal, who presents the prizes at the Grand National tomorrow, has a new horse. And behind it lies a tale, or rather several. The purchase has caused some mild acrimony to the City. The horse was bought for the Princess to ride by Save & Prosper. It is an eight-year-old Irish gelding called General Joy. At a cost of around £20,000, it was a much cheaper investment than some of the sponsoring and publicity activities that the company goes for, says Mike Robertson of Save & Prosper.

Robertson, however, had an inside track. His sister-in-law is a nanny to the Princess's children. Thus he learned on the grapevine that she would like a new ride. The City trouble arose at Chesham on Tuesday. The Princess had jumped her nose riding at Hereford the day before. There was no reason to suppose that she would be on the saddle again within 24 hours. Anyway General Joy was entered under the colours of his trainer, David Nicholson. The event was sponsored by Barclays Unit Trust, a rival to Save & Prosper.

Save & Prosper says that it was entirely by chance that the official registration came through in time for the Princess to ride herself. That caused a minor sensation and some awkwardness to the Barclays outfit. For the record, she came third in the Tinkers Handicap Chase, finishing 17 lengths behind the winner in a field of five. Nicholson said that it was the best ride she had had in a chase. The assumption is that she will be sticking with General Joy next season.

Tonic needed

Does anyone know why there is a recurrent shortage of Schweppes tonic water in the shops? Cadbury Schweppes do not, and indeed said yesterday through a public relations company that it was the first time

OBSERVER

they had ever heard of the problem.

That is extraordinarily hard to believe and the evidence is to the contrary. Some of the big London retail outlets frequently run out, not just for a day or so but for a week or two at a stretch. When asked why, they blame Schweppes. Somewhere along the line something isn't working.

Fortune's new 500

Across the Rust Belt you can hear the sound of champagne corks popping and beer cans spritzing open, according to Fortune magazine's latest ranking of the 500 largest US industrial corporations.

Thanks to more restructuring, consumer spending and exports, the big have caught up with the small. "After half a decade of sitting on the sidelines while the rest of the economy bogged, the biggest industrial corporations walked into the Great American Profit Party with record sales and earnings." The 500's net profits rose by 41 per cent to \$81bn while sales were ahead by only 9 per cent to \$1,890bn.

Some of the once-rockiest companies have climbed back up the league table. Chrysler returns to the top 10 for the first time in a decade, boosted by truck sales and its takeover of a American Motors. Harley Davidson, the sole surviving US motorcycle manufacturer, moved into 388th place helped by the overhaul of its manufacturing and its acquisition of a mobile homes maker.

The top six are unchanged - General Motors, Exxon, Ford Motor, IBM, Mobil and General Electric - but GM's sales slipped one per cent to \$101.73bn while Ford's rose 14.2 per cent to \$71.64bn.

Age is no prerequisite to membership of the 500. Sun Microsystems, a California computer company founded in 1982 by four 27-year olds, entered at 463 following a 156 per cent increase in sales last year. "The glow of



plants running flat out through the night may be the light at the end of the tunnel for industrial America." Fortune suggests, setting aside the tag added to the old phrase by anti-Vietnam war campaigners - "or is it the light of the approaching train?" Elsewhere in the same edition the magazine asks: "Is corporate America's love affair with debt careening toward a disastrous end?" The answer is: "Not yet... but with recession possible and debt disasters popping up it's time for companies to rein in their impulse to borrow."

True Irish story

The City of Dublin is celebrating its millennium this year. After an open air concert held in the pouring rain, an Irishman was heard to comment: "That's the last... millennium I'll be attending."

Debrett's new man

Debrett's Peerage, the top person's pedigree guide, has given its own lineage a twist by selling itself to Sterling Publishing

Group, a company with a distinctly industrial and commercial flavour.

In a deal that values the company at around £1m, the blue blooded handbook which has charted the British aristocracy's family trees for 219 years now joins Sterling's stable of technology, computer and management publications. The publication was previously owned by Ian McCordquodale, son of Barbara Cartland, the romantic novelist. He remains chairman of Debrett's.

Those of a delicate constitution, however, can put away the vapours. Although Debrett's will be rubbing shoulders with titles like Food Technology International, Automotive Technology International and Pharmaceutical Manufacturing International, there are no plans to bowdlerise the bible, as it were. The new owner is anxious to protect what he calls the guide's "reputation, authenticity, authority and accuracy."

"We won't be doing anything to undermine the aura that surrounds the Debrett's name," says Michael Summers, managing director of Sterling. But he does see the acquisition as a "gateway to a sparkling future."

The union between Debrett's and Sterling is more appropriate than might at first appear. The two already have business links. Over the past two years, they have jointly produced Debrett's Cities of the World, and Debrett's Interior Design Collection.

Summers declines to commit himself on plans to expand plans for Debrett's, but says there is scope for forays into the US and perhaps the Far East. He does not sound like a man with much of a sense of humour, but perhaps that's not necessary in his trade.

Relegated

There is a sign at a London sports club advertising a quiz. "Did you know that a game resembling football was played by the Spartans in 500 BC?" it asks. Someone has added: "No, but that's how Chelsea play."

POLITICS TODAY

George will do nicely

By Joe Rogaly

THERE CAN BE little doubt about whom the British Prime Minister would vote for in the US presidential election if she could. It has to be George Bush, although she would never admit it if you asked her, for she is well aware of the rule that you do not get caught interfering in your allies' election campaigns. The reason for the Prime Minister's preference is not that both Mr Bush and Mrs Margaret Thatcher have relations in Texas. It is rather that the US Vice President is the only candidate who can offer anything like the promise of a continuation of President Reagan's policies. As David Dimbleby and David Reynolds put it in An Ocean Apart, a forthcoming book of the TV series on the Anglo-American alliance, Ronald Reagan and Margaret Thatcher have together "established one of the closest personal bonds in the history of Anglo-American co-operation and breathed new life into the special relationship."

You can say that again. In the broad areas of foreign policy they have been one, with the Prime Minister ever available on the line to steady the President's nerve when Soviet blandishments have been, perhaps, a touch too subtle for him, as at Reykjavik. Where there have been differences, as over Star Wars or the US invasion of Grenada, the expressions of disagreement have been as far as possible kept private, as befits close associates. Almost exactly two years ago she was at her most helpful: the US Air Force was permitted to use F-111s stationed at its British bases to attack Tripoli. It was a political gesture to President Reagan, who needed a political ally in Europe.

It is, however, in domestic policy that the two sides have been most apparent. Mrs Thatcher and Mr Reagan have both led conservative revolutions in their own countries. Both started off tied to what was in quiet days of yore called "monetarism", as supply-side economics has been more aptly named. Mrs Thatcher arranged for sharp reductions in personal taxation. The pair of them have also focused on the "reduction of dependency" (which in plain English or plain American means spending less on the poor) with a consequent provision of "Prudential" (that is Johnson's Great Society in the US and the Welfare State in Britain). Above all, both have shown supreme mastery of the art of communicating with their followers in the television age. They express, with notable simplicity, the tenets of the new conservative faith of god, husbandry at home and toughness abroad. On each side of the Atlantic, the response has been an upsurge of support from people who are either successful or aspire to be. They have also a little interest in the rest — the underclass and the blacks in America and

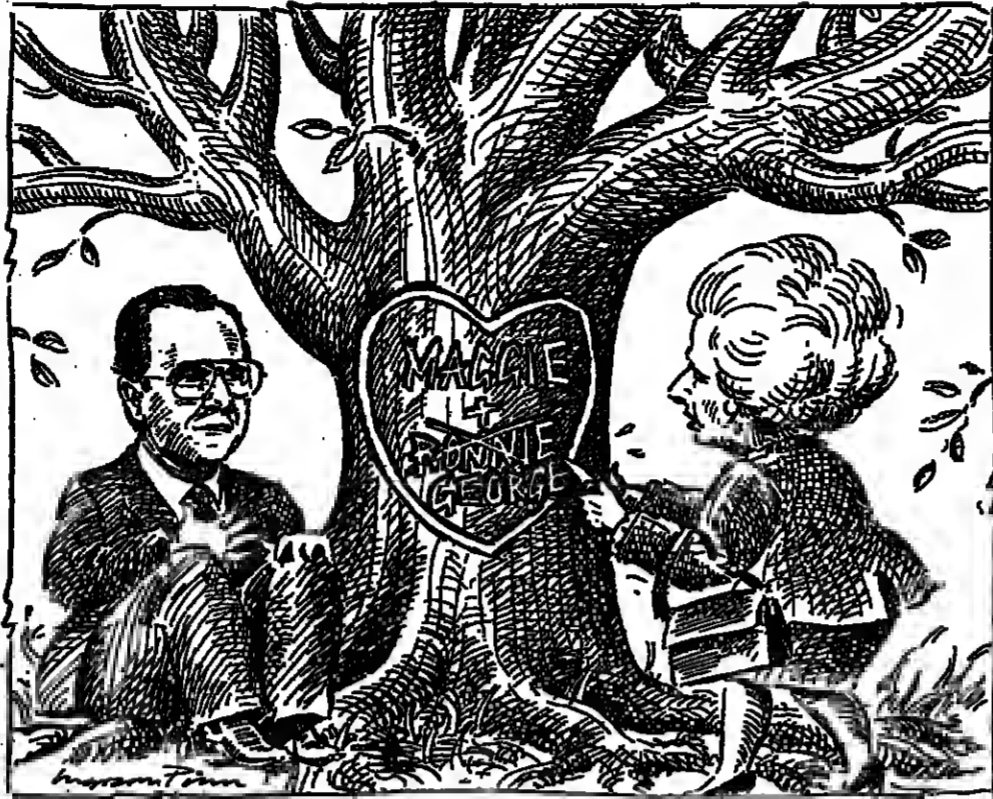
their equivalents in Britain.

It has been a remarkable duet, but it must come to an end since, while the British constitution allows a Prime Minister to go on and on and on, the US constitution allows a President only two terms.

Enter Mr Bush, as substitute for Mr Reagan. The many British and American detractors of George Bush will say that there is no conceivable way in which he could represent continuity. For a start, Ronald Reagan as a communicator is not an act that Mr Bush could possibly follow. Downing Street could hardly dispute that, but its general view is almost certainly more sanguine than might be thought. Both Mrs Thatcher and the Foreign Secretary, Sir Geoffrey Howe, know and like the Vice President.

They are of course aware of his reputation as a "wimp", but it would be in character for the Prime Minister to assume that he would grow in office. Although she herself has never been accused of wimpish tendencies, she might have reflected on her own development once in power. I remember when she was leader of the Opposition and in a state of high nervousness whenever she was about to go into the House of Commons for the regular Question Time debate with Harold Wilson. Then she feared his "weasel words". She shows little sign of fearing much in the House of Commons today.

Mrs Thatcher's relationship with Mr Bush goes back a long time. They met before he became Vice President and she has made a point of holding long private talks with him whenever she has visited the US. The line has been direct. It has not been a mere offshoot of her relationship with the President. It has been special to Mr Bush. If he wins the presidency, her investment will doubtless pay off even more handsomely than did her invitation to Mr Mikhail Gorbachev to visit the UK while he was still on his way up in the Soviet Union. None of this, however, is the leading Democratic contender for the presidency. So far as can be ascertained, Mrs Thatcher has not met them. Thus, although Governor Michael Dukakis of Massachusetts looks a little more like a front runner than the Democratic nomination this week than he did a week ago, he is a virtual unknown to the British Prime



Minister. I have tracked Mr Jesse Jackson on an anti-apartheid march up Whitehall, but there is no record of his having looked in on Downing Street on his way to Trafalgar Square. From the British Prime Minister's point of view, all this will be of little moment if the Democrats so damage themselves that Mr Bush is assured of victory. That would reflect the political pattern in Britain, in which a right-wing administration is returned time and again because its opponents cannot unite around a policy that shows care for the less successful members of society while avoiding pronouncements that frighten off potential supporters who are enjoying the comforts of capitalism. (There is irony in this: much of Mr Jackson's white support is said to come from the same busy manual labourers who hurriedly manual labourers who used to sit next to Governor George Wallace, in his segregationist phase, intoned hypocritically about "pointy-headed intellectuals" who "can't ride a bicycle" and mused madly up in Washington.) On this reading, Mr Jackson would be the Demo-

cratic candidate most favoured by 10 Downing Street, just as he is given the highest marks by ex-President Richard Nixon. Both see him as guaranteeing a win for Mr Bush. The intriguing question is what happens if Mr Bush looks like losing? He might do so if a more forceful Democrat enters the race, or if Mr Dukakis gets

An economic downturn is what the conservatives fear most

some push behind him and if, at the same time, there is a general sense of economic collapse. A sharp change for the worse in the economic outlook is what the Conservatives fear most in Britain. The prospect is treated with similar respect in the US. Thus the US Secretary of the Treasury, Mr James Baker, is well aware that his present task

is to secure the election for Mr Bush. That means that to the limited extent that these forces are within his sphere of influence, he must try to avoid a free fall in the value of the dollar, while at the same time doing his best to prevent US interest rates from rising too sharply. In severely adverse circumstances, he would doubtless seek further support from the principal west European nations and Japan — and if political sympathies count for anything in such matters, they would surely count in Bonn as much as London. For Chancellor Helmut Kohl is as keen as Mrs Thatcher on continuity in Washington.

Beyond that, natural inclinations and political convenience count together. Mrs Thatcher will continue to show evidence of close support for President Reagan, even in the last months of his lame-duck year. This is likely to be seen in the Middle East, in Afghanistan and in Nicaragua, not to mention the probable mid-summer talks on the halving of the superpowers' nuclear arsenals. Since Mr Bush hopes to ride

Lombard How to cater for slow learners

By John Lloyd

MR KENNETH BAKER'S Education Bill proposes that standards be raised by bringing the pressures of the market to bear on the provision of learning.

Schools will feel these pressures through the stimulation of competition between schools in particular local education authority (LEA) areas: schools attracting more pupils will attract more resources. Further, a school which "opts out" of an LEA, becoming directly maintained by the British Government, will enjoy greater flexibility in choosing pupils and setting standards.

The maxim which underpins these and other reforms in the Bill is that customers always do what is right. In this case the customers are the parents: it is assumed that, in making choices, they want their children to receive the best education.

So far, so good. However, the problem with markets is that they tend to favour majorities. There are worries, in the market which Mr Baker is creating, that education provision for children with special needs will be further weakened.

If school heads act rationally, seeking to attract as many pupils as possible by demonstrating that they offer higher standards than the competition, the premium will be an ability. But what happens to disability?

Take the case of dyslexic children. Dyslexia is a spectrum of shades varying from sufferers who find reading and writing very difficult indeed through to children — and adults — who are simply "bad at spelling".

When the Warnock Committee (set up in 1974 by Mrs Margaret Thatcher, the UK Prime Minister, when she was Education Secretary) inquired into the matter of children with special needs, it was assumed that this group accounted for no more than 2 per cent of the school population. Warnock found that between 15 and 20 per cent of children suffered some form of learning disability, often a greater or lesser

degree of dyslexia.

The 1981 Education Act made provision for children with special needs to receive special attention in schools. But cash constraints, lack of training and a good deal of ignorance on all sides as to what constitutes a "special need" has meant that provision falls very short of adequate — probably catering for little more than the 2 per cent which was the assumed dimension of the problem before the Warnock Committee produced its report.

There are three main areas of concern. First, that the already inadequate special need provision in LEA schools will get no better — especially where a school comes under tighter and tighter financial pressure as pupil numbers fall.

Second, that the grant maintained schools will exercise their freedom by not taking children with special needs. (Already it appears that head teachers are gearing up to treat their schools more as business ventures. Children who learn more slowly, thus tending to depress a school's overall academic achievement record, will scarcely be welcome.)

Third, while the proposed national curriculum is welcomed for including a test which can expose a seven-year-old's learning disability which might otherwise have unremarked for years, the national curriculum is also feared for being over-rigid. It forces a pace on teachers which will not allow them to cope with children whose learning problems cause them to fall further and further behind as a syllabus rolls relentlessly on.

Will the iron laws of the marketplace carry the day in the matter of slow learners? Or will the reservoir of skills and abilities in these children be encouraged by teachers specially trained and informed by the understanding that our new marketplace of education cannot spirit away the old problem of children who, starting from different places, deserve the chance to reach the same destinations?

EMS provides stability

From Mr Andrew Wroblewski. Sir, Mr Alan Walter's article (April 6) suggests that European Monetary System (EMS) membership achieves lower intra-currency volatility only at the expense of greater volatility outside the EMS system. He overlooks several important points. Accepting the analysis that Mr Walters uses, we must also accept the mere fact that the period through which the exchange rate mechanism of the EMS has operated has undoubtedly been one of great generalised currency volatility. Thus, to be able to counter this generalised volatility through relative stability within the EMS, where most trade is conducted for members of the system (over 60 per cent of West German trade is within the European Community), must be an unmitigated bonus for industry. Furthermore, over 60 per cent of UK trade is presently with the EC. This proportion has risen during EC membership, but it could rise faster and further if exchange rate instability were reduced, and help isolate UK trade from the gyrations and uncertainty involved in trade with the rest of the world. Andrew Wroblewski, NatWest Stockbrokers, Garrard House, 51 Gresham Street, EC2

Rust-free may not mean rat-free

From Mrs Ursula Gacek. Sir, While we may envy the Trident owner ("Trident coughs its way into a fourth decade," March 29) his rust-free car, we should spare a thought for those whose cars have literally been eaten away. Apparently rodents

Letters to the Editor

find the plastic used in the cars' construction irretrievable. Ursula Gacek, 78 London Road, Wheatley, Oxfordshire

They keep their ancient places

From Mr R.P. Gurney. Sir, In your reference to Saab (Letters, March 22) it should be pointed out that the development of its new car range was, *ab initio*, an exercise co-ordinated with Fiat and Lancia while the latter was still an independent company.

In view of the cost of putting a new model onto the market this is not an unusual solution. It is one followed also by Volvo, Renault and Peugeot for engine development. The engine of the Saab was certainly designed initially by Triumph, when that company was still a respected independent. It was later developed for a 16 valve cylinder head — years before this technique became commonplace. The engine was also initially supplied to Saab by Triumph. I believe — before Saab carried out further development and manufactured it in-house.

What a pity that collaboration was not taken further at that time, with an arrangement for Saab's gear-box and drive-line to be designed by Saab; it would appear that we have lost the design and manufacturing capability for motor car gear-boxes. The Rover Group uses a mix of Japanese, German and (soon) French gear-boxes — past deci-

sions, all now (regrettably) water under the bridge. I think it unfortunate to refer to the Saab engine as one of "very ancient design." Fiat, Ford, Peugeot, the Rover Group and Rolls Royce all have engines in current production which pre-date the Saab by many years — in some cases, decades. E.R. Gurney, E. Roland Gurney & Partners, 30 Milsom Street, Bath, Avon

Company reports could go tabloid

From Mr Christopher Burt. Sir, It is reported (March 24) that the next Companies Act will allow companies to send shareholders short summaries of their financial results rather than full accounts (Letters, April 2). The reason is, apparently, that shareholders are either too ignorant, too hazy or too lazy to peruse a full annual report.

Less information is surely a retrograde step. Companies which have accepted large numbers of very small shareholders, such as the TSB, seem now to realise the costs involved, and wish to contain them. Very proper; but I submit that they have come up with the wrong answer.

The solution should be to produce cheaper annual reports — not to create an under-class of shareholders. A four-page tabloid newspaper format is quite sufficient to carry full annual report information, yet would cost only a few pence per copy to produce,

and not many more to mail. To defray costs further, why not allow annual reports to carry — or be accompanied by — advertising? The distribution of the annual report might thus become, in some cases, a small profit centre. Christopher H. Burt, Les Granges de Beauvoir, Ivy Cottage, St Peter Port, Guernsey, Channel Islands

Depositors should be allocated shares

From Mr B.D. Oram. Sir, Your report (March 26) and "Lex" comment are pertinent observations on the potential but — until now — unrealised problem of the growing size and equity value of building societies. It is essential that the Abbey National, as the first to address the question of public quotation, sets exemplary standards in tackling this: it will set the criteria for others to follow.

There is no comparison with the TSB or the generality of Government privatisation issues. Abbey National is clearly owned by its various classes of depositors. It is incumbent on the board of the Abbey National to provide an up-to-date valuation of its property assets and other business interests, and then allocate shares representing that value to depositors on a weighted basis. Any other method proposed by the directors would be a breach of their duty of trust to the owners.

The straightforward method would still leave ample scope for a simultaneous issue of shares to depositors at large to raise cash as may be needed for expansion. B.D. Oram, Wharf House, 10 Martinslade, Seend, Melksham, Wiltshire

Savings of the wealthy are not included in official savings data

From Dr J. Toporowski. Ralph Atkins' analysis of why statistics measure savings are so unreliable (March 25) confirms a general view that financial statistics are chronically unreliable, and can rarely support the carefully nuanced meanings attributed to them by financial markets and even the subtlest of statisticians and economists.

However, Mr Atkins seems to have missed a rather simple if not quite obvious explanation for the apparent decline of the personal savings residual as a proportion of disposable income (Letters, April 6).

This lies in the fact that most people, if they save, do so in order to secure consumption. However, because most of these

savers are on average or below-average incomes their savings are dwarfed by those of the wealthy minority, which saves in order to accumulate capital to increase its wealth (in the case of capitalists) or to increase incomes (in the case of rentiers).

In an advanced capitalist economy, most of the savings of the wealthy — and by implication their wealth itself — comes from the reinvestment of profits, capital gains, and so on; increases in wealth that are largely excluded from the published statistics on disposable income and savings.

Looked at from this point of view, the decline of the personal savings residual correctly reflects underlying actual trends only so far as most people on median and lower incomes have seen those

incomes rise in real terms, and are using this increase to enjoy higher standards of living.

The net savings ratio of this group has declined for demographic reasons also — as Mr Atkins noted. However, total savings, in the economy, have undoubtedly risen; and their ratio to total income may even have gone up as well (with the bull market that peaked last summer, and company profits reaching record levels). But because most of this financial accumulation came not out of disposable income, but from the capital gains and reinvested profits of the wealthy, it has not been included in official savings data.

The analysis would suggest that, as economic growth slows down and the effects of the stock

market reverse appear in balance sheets, the reported savings ratio will start to rise again. Households on median and lower incomes will contribute to this trend by paying off consumer debts run up during the recent boom — and by increased saving to secure for the future the living standards recently achieved.

The wealthy will contribute to the higher savings ratio by saving more out of their disposable incomes in order to repair the consequences of the stock market fall, and to prepare for what will happen after the (foreseeable) slowing down in economic growth. J. Toporowski, Faculty of Management and Policy Studies, South Bank Polytechnic, 103 Borough Road, SE1



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FINANCIAL TIMES

Friday April 8 1988

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British Columbia's outspoken premier is never far from the headlines, reports David Owen

King of the castle ready for battle

ABOUT 20 miles south of Vancouver, Canada, on the highway to Seattle, Washington, stands Fantasy Garden World, an unabashed temple to kitsch, whose dubious delights include the Knockwurst Korner Kafe and Castle Vancouver.

This thriving concern is the creation of millionaire horticulturalist Mr William Vander Zalm's family business. Among its hottest merchandise items is a soft toy rearing in the name of Cornelius Vsnider Bear and a myriad of Christmas tree ornaments.

These days, Mr Vander Zalm's wife, Lillian, looks after the theme park. Since October 1986, her husband has had other things on his mind as premier of the Canadian Pacific coast province of British Columbia.

In less than 18 months in office, this intensely religious Dutch immigrant has established himself as one of the most controversial figures in Canadian politics.

His outspoken, often uncompromising views on such issues as abortion, the US-Canada free trade agreement and the power of organised labour have ensured that his conventional good looks and perfect teeth are seldom far from the front pages.

Sentiments (both positive and negative) regarding Mr Vander Zalm run high in a province whose politics are unusually polarised by Canadian standards.

Mr Vander Zalm's right-leaning Social Credit party, a traditionally fractious, anti-socialist umbrella grouping and the left-of-centre New Democrats (NDP) unequivocally rule the roost in British Columbia - a province physically separated from the rest of Canada by the brooding Rockies. The mainstream Conservatives and Liberals play only the most minor of supporting roles.

There have already been several far-reaching Vander Zalm policy initiatives, including a



Mr David Poole, the premier's principal secretary and arch-confidant, "has not ruled out privatisation in any area." Nevertheless, it recognises that certain sectors, such as social services and education, will be harder to privatise than others.

The prime motivation behind the initiative, in Mr Poole's words, is to "place in the private sector that which is more appropriate in the private sector."

As a by-product, the programme should make appreciable inroads into British Columbia's C\$6m or C\$2,000 per capita accumulated fiscal deficit.

A further long-term Social Credit party goal is to decentralise government, under a plan which calls for the transfer of various offices from Victoria to locations throughout the province.

"We have a situation where the capital of this immense province is located on the southern tip of an island off the west coast," Mr Poole points out. "There is a feeling in many of the outlying regions that they are somehow isolated from where the decisions are made."

Conveniently, such a policy should also bolster the "populist" label which the party likes to attach to itself as a friend of the individual and an adversary of stifling government and organised labour.

In the meantime, the Government's popularity has slumped. A poll conducted last November indicated that Social Credit party support had fallen to 36 per cent, compared with 50 per cent in the October 1986 election.

The decline in popularity appears to be a reaction to Mr Vander Zalm's autocratic style and a string of conflict-of-interest problems which have prompted three cabinet resignations. This is despite the Government's good fortune in presiding over an increasingly evident, commodities-driven economic upturn.

BASIC FACTS

- Colony founded 1866
- Capital: Victoria
- Biggest city: Vancouver
- Area: 948, 596km
- Population: 2.9m
- Budget 1985-6: C\$9.1m
- Top export: forestry products
- Total exports 1985: C\$12.3m
- Industrial output 1985: C\$19m

tough new labour law, promulgated in the face of a one-day general strike last June and a hefty increase in the royalties payable to the province by the buoyant forestry industry.

Perhaps the most ambitious project of all, however, is a plan to sell off about C\$3m (US\$2.4bn) in public sector services and assets.

Items earmarked for privatisation range from the natural gas distribution unit of local utility B.C. Hydro, to the highway ministry's sign shops and the Government's computer division.

Predictably, the programme has run into stiff opposition from the province's powerful government employees union. The

union fears that more jobs will be jeopardised to add to the 11,000 positions which have disappeared since 1983.

Predictably, too, in staunchly Anglophone Victoria (the provincial capital), where afternoon tea at the Tasty Empress Hotel is an institution and the quayside is graced by the Royal London Wax Museum, the Government has drawn on the British experience in hatching its plans.

However, Mr Vander Zalm's Government believes that it is pushing beyond what has so far been attempted in Britain by aiming to sell a wide range of government services, as opposed to just public sector assets.

The Government, according to

that would use the wings designed for the Airbus A-300 and A-340 aircraft now under development. It would be suitable for long distances, carrying more than 500 passengers and be a direct competitor to the Boeing 747.

● A second option is for Airbus to join McDonnell Douglas in development of the latter's MD-91 prop-fan 114-seater airliner programme, which McDonnell Douglas hopes to launch later this year.

● A third possibility is for McDonnell Douglas to join Airbus in developing a stretched version of the Airbus A-320 150-seater airliner, seating up to about 200 passengers.

Neither manufacturer is currently involved in these three areas, so collaboration on any one of them would not result in head-on competition, which both are anxious to avoid.

The working groups will be studying potential markets for the aircraft under consideration, development costs, the division of those costs and the allocation of work, as well as the mass of technical and engineering details involved in design, development and manufacture.

Anti-ANC campaign claims new victim in Maputo

By Anthony Robinson in Johannesburg

THE WAVE of assassination attempts against real or presumed African National Congress (ANC) activists claimed another victim yesterday when Mr Albie Sachs, a former South African civil rights lawyer, was severely wounded by a car bomb in the Mozambican capital of Maputo.

The blast lifted his car three metres and left him lying on the road with one arm smashed and heavily bleeding. Mr Sachs, who is employed by the Mozambican Government as a lawyer in the Ministry of Justice and also lectures in law at Maputo University, was twice detained in South Africa in the 1960s for membership of the banned communist party and the ANC. His experiences in jail were chronicled in a book "The prison diaries of Albie Sachs."

After his second detention he left for England with his wife Stephanie, daughter of General Kopp, a former Boer general and National Party cabinet minister.

Six years ago Ruth First, wife of Mr Joe Slovo, former head of the ANC's military wing and now leader of the South African communist party, was killed by a parcel bomb in Maputo.

Under the terms of the March 1984 Nkomati Agreement, Mozambique agreed to expel ANC cadres in return for a tacit South African undertaking to cease clandestine support for the anti-apartheid struggle.

Mr Sachs is a member of the National Resistance Movement (MNR). Since then both sides have blamed the other for violating the accord.

It is not clear when Mr Sachs moved to Mozambique or whether he retained active links with the ANC.

The latest attack closely follows the murder of Mrs Dulcie September, the ANC's Paris representative, last month. Pretoria has denied ANC claims that the South African security forces were responsible for the killing but has admitted killing seven other suspected ANC "terrorists".

The Botswana killings have led to a sharp chill in relations between the two countries. Botswana is demanding an apology and compensation for the killing of what it claims were three Botswana civilians and one South African.

The South African police yesterday responded by claiming that the South African victim was Mr Solomon Molele, whom they described as the ANC commander in Botswana responsible for masterminding 47 "terrorist attacks" on South Africa.

Back in Botswana, ANC personnel abroad have strained South African relations with European as well as African countries. The tone was set in June 1986 when President P.W. Botha, announcing re-imposition of the state of emergency, declared that the South African Government would not negotiate with the ANC but would fight ANC terrorism.

Mr Sachs is the son of the late Solly Sachs, a communist ideologist and pioneer trade union leader who organised African women garment workers in the 1930s and then built up in the 1950s the workers' union into one of the first multi-racial unions.

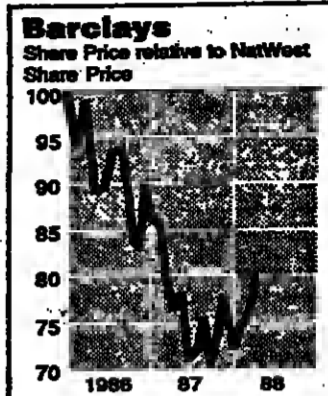
Despite being expelled from the Communist Party in the 1950s, Solly Sachs was banned in 1952 for those activities, and spent his last years in exile in England.

Mr Adriaan Vlok, the Minister of Law and Order, yesterday revealed in parliament that 105 people died in police custody last year, of whom 50 "committed suicide" as a result of mental causes, 11 died from "assaults by fellow prisoners" and eight died from "gunshot wounds sustained when attempting to escape".

Figures were released the day before the South African police force celebrates its 75th anniversary. Last week two senior white policemen were convicted of murdering two suspected drug traffickers and the attempted murder of another man in a bizarre case that reflects what prosecuting counsel called a "sub-culture of violence" in parts of the police force.

THE LEX COLUMN

A big bold blow from Barclays



The sheer scale of the appetite for capital of the London clearing banks never ceases to amaze. But even so Barclays' \$221m rights issue, coming only three years after it raised \$507m, is breathtaking both in its size and its arrogance. Here is a bank whose performance over the last few years has been modest at best, asking shareholders to stump up the equivalent of more than three years of retained earnings to enable an aggressive new management team embark on an untested growth strategy.

If Barclays had been a US bank trying to sell this message on Wall Street, it would have been almost certainly shown the door. Fortunately for Barclays, shareholders on the east side of the Atlantic appear far less concerned about dilution of earnings and net asset value, and seem to have a trusting faith in the management's ability to put the money to good use. Nevertheless, the sharp sell-off in bank shares yesterday signalled the general unease with Barclays pre-emptive strike. UK banks, which account for less than 5 per cent of the total market capitalisation, have accounted for nearly a fifth of the total equity capital raised in the UK over the last five years, and their appetite shows no sign of abating. Now that Barclays has announced that it wants to dislodge National Westminster from the top spot, it is not beyond the bounds of possibility that the latter might return for another monster slug.

Barclays argues that it needs the extra money to boost its market share. But given the stage in the economic cycle, this might not be the best time to begin pumping even more credit into the UK economy. Barclays had the worst bad debt experience during the last recession and credit quality is often one of the first casualties of any bid for increased market share. But, at least Barclays will soon have plenty of capital to cushion itself against its future bad debts.

However, the more probable explanation is that Crowther, finding his own share price too low to countenance any deals, was willing to take the first serious offer. While its shareholders may be disappointed to get none of the cash back that they have poured into the company, they may find that a share in the enlarged group will eventually be worth much more than one in Crowther. The company's uncompromising approach to its acquisitions and its ability to gain ground in that growing "home fashion" market makes a prospective p/e of 75 look much too low, even to those who take with a pinch of salt the company's 20 per cent target for earnings growth.

Reckitt & Colman

Until housewives from Rio to Reading learn to do without boot black and toilet disinfectant, Reckitt & Colman's future looks secure. That may sound a bit of a backhanded compliment in a sector which normally produces a more glitzy showing, but in these days of fear and trembling it is probably worth more than the company's current market average rating.

True, Reckitt & Colman's mustard is spicier than its management. But that management does do one crucial thing well: squeeze

the last bit of margin out of mature businesses, and doing it in parts of the world which demonstrate the company's substantial skills at currency management. Yesterday's annual results showed that Reckitt & Colman has not lost its touch in either area, turning in pre-tax profits which, at £167.6m, cleared the market's highest estimates. That, coupled with the prospect of a further percentage point or two of margin improvement in North America and Europe (from last year's 6.9 and 6.0 per cent respectively) put the shares up 17p to close at 85p.

The company was aggressively downbeat about prospects for its anti-ulcer treatment - not surprising, given the way its share price took flight on news of the drug last May, only to collapse once the first flush of enthusiasm had passed.

News of a wonder-drug breakthrough may have to wait, but Reckitt & Colman will probably stay in the headlines this year with an active acquisitions programme. With gearing at under 11 per cent and cash flow strong, the scope is considerable.

Cazenove & Co

"Excruciatingly painful" was the way Goldman Sachs, probably the best-connected major investment bank on Wall Street, summed up the year since one of its senior partners was arrested on insider trading charges. It is a description that Cazenove would probably agree with following the arrest of one of its best-known partners, albeit on much less serious charges in the City of London. For a firm whose very considerable influence and unscrupled client list revolves around its long-established reputation and integrity, the arrest of Mr David Mayhew must be a shattering blow.

In relation to the continuing investigations into the Guinness affair, the decision to reach into the inner-most recesses of the City establishment shows the intensity with which the authorities are now pursuing their investigation. Whereas the more than year long investigation into Wall Street's insider trading scandal appears to have lost much of its momentum, the latest arrest shows quite the reverse is true in the UK. Most of the Wall Street firms have found that their business has not suffered from the official investigations into their affairs. The partners of Cazenove must be hoping that their business can similarly escape unscathed.

Airbus, McDonnell Douglas step up talks

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT, IN LONDON

AIRBUS Industrie, the European airliner manufacturing group, and McDonnell Douglas of the US, are to set up special groups to clarify business and technical aspects of possible joint projects.

The two companies have identified at least three options involving aircraft development as possible areas for collaboration. Detailed talks will be held on these areas over the next few months.

Both Mr John McDonnell, chairman and chief executive of McDonnell Douglas, and Mr Jean Pierson, president of Airbus, are hopeful about eventual collaboration following talks in Toulouse,

France, this week. However, it is likely to be several months before final agreement is reached on a specific venture.

Government ministers in charge of the Airbus project from the four countries involved - the UK, France, West Germany and Spain - will receive a report on the talks when they meet in Madrid next week to discuss the possible financial and corporate restructuring of Airbus.

The three potential areas for collaboration between the two companies are:

● Work on a bigger, stretched version of the McDonnell Douglas wide-bodied MD-11 trijet airliner

that would use the wings designed for the Airbus A-300 and A-340 aircraft now under development. It would be suitable for long distances, carrying more than 500 passengers and be a direct competitor to the Boeing 747.

● A second option is for Airbus to join McDonnell Douglas in development of the latter's MD-91 prop-fan 114-seater airliner programme, which McDonnell Douglas hopes to launch later this year.

● A third possibility is for McDonnell Douglas to join Airbus in developing a stretched version of the Airbus A-320 150-seater airliner, seating up to about 200 passengers.

Neither manufacturer is currently involved in these three areas, so collaboration on any one of them would not result in head-on competition, which both are anxious to avoid.

The working groups will be studying potential markets for the aircraft under consideration, development costs, the division of those costs and the allocation of work, as well as the mass of technical and engineering details involved in design, development and manufacture.

Allied-Signal agrees venture with Ferranti

BY DAVID WHITE, DEFENCE CORRESPONDENT, IN LONDON AND WILLIAM DAWKINS IN BRUSSELS

ALLIED-SIGNAL, the US oil, gas and chemicals group, has agreed a joint venture with Ferranti International, the UK defence and electronics group, to make power-generating systems for aircraft, in a bid to secure contracts in European joint programmes.

The move coincided with the announcement that France's Thomson group and Forges de Zebrugges of Belgium, the UK defence and electronics group, will link their military rocket operations in one of the first international armaments ventures in Europe.

The Ferranti/Allied-Signal venture, which will marshal the US partner's technology, is aimed at the four-nation European Fighter Aircraft project, where Ferranti

is already competing alongside European partners for a radar contract reckoned to be worth at least £1bn (£1.87bn) and at a further navigation system order estimated at about \$80m.

Ferranti said the market for power generation equipment under this programme might be worth more than \$20m and the new venture would also be seeking a contract for the Airbus Industrie A-340 airliner.

The new company, Ferranti-Bendix Power Generation, owned equally by the two partners, will use Ferranti instrumentation's Manchester facilities to manufacture equipment developed by the US group's Bendix arm.

enable it to offer fixed-frequency electricity supplies at a lower cost and with reduced maintenance requirements. The Bendix system, using electronic converters, will replace hydro-mechanical drives.

The agreement follows Ferranti's absorption of the US International Signal and Control group and recent purchases of US interests in the fields of simulators and health-care computer systems.

In the Franco-Belgian link-up, Thomson-Brandt Armament agreed in principle with Forges de Zebrugges on a joint venture to develop, assemble and service air-to-ground rockets. This will be among Europe's

first cross-border collaborative ventures in armaments, according to Forges de Zebrugges's parent company, Gechem - a subsidiary of Société Générale de Belgique, Belgium's most powerful industrial holding company.

The new company, to be based in the Belgian town of Hezetal, will employ about 100 people and the majority will be owned by the French partner, a subsidiary of the Thomson electronics group.

Final details, including the joint venture's name and sales targets, are to be worked out over the next two months.

The venture's activities will be confined to research and development, servicing and assembly.

Anger unleashed at girl's funeral

Continued from Page 1

Instead, as the dust rising from the demolished houses in Beit's foreshadowed, the likelihood is only of a fresh, harsher cycle of violence and repression. "The village of Beit must be wiped off the map," thundered Rabbi Haim Druckman, a parliamentary member of the National Religious Party.

International action fails to halt pound

Continued from Page 1

DM3.1300 level after they jointly intervened by selling sterling for dollars. At that level, however, the intervention only seemed to have alerted traders of the currency's underlying strength.

The dollar remained stable and closed barely changed in Europe on the day.

The strong performance on the Tokyo Stock Exchange and an equally encouraging gain in share price values on Wall Street

on Wednesday helped underpin one of the better days seen recently on European bourses.

In London, share prices rose despite an announcement by Barclays Bank that it would raise \$221m (£1.7bn) through a rights issue. The FT-SE 100 Share Index closed 16 points up at 1,761.0 and the FT Ordinary Share Index gained 12.6 to close at 1,388.4.

London's performance was regarded as creditable, given the

Barclay's issue, but analysts said it would have to make consistent gains before they were confident that the trend had changed.

In New York, share prices built on the gains made on Wednesday when the Dow Jones Industrial Average closed 64.16 points up. The Dow Jones Industrial Average closed up 0.50 at 2622.17.

On the Continent, share prices rose modestly after the performances of Tokyo and Wall Street.

World Weather

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Azores	18	10	0-10	London	12	10	0-10
Amsterdam	10	10	0-10	Madrid	15	10	0-10
Berlin	10	10	0-10	Moscow	10	10	0-10
Bombay	28	10	0-10	New York	15	10	0-10
Buenos Aires	18	10	0-10	Paris	12	10	0-10
Calcutta	32	10	0-10	Rome	15	10	0-10
Cairo	25	10	0-10	Stockholm	10	10	0-10
Colon	28	10	0-10	Tokyo	18	10	0-10
Hankow	18	10	0-10	Washington	15	10	0-10
Harbin	10	10	0-10	Zurich	12	10	0-10
Hong Kong	25	10	0-10				
London	12	10	0-10				
Lyons	12	10	0-10				
Manila	28	10	0-10				
Medan	28	10	0-10				
Perth	18	10	0-10				
Rangoon	28	10	0-10				
Seoul	10	10	0-10				
Singapore	28	10	0-10				
Tientsin	10	10	0-10				
Yokohama	18	10	0-10				

Cazenove partner is arrested

Continued from Page 1

for the Guinness case on Wednesday. The charges that Mr Mayhew faces are:

● Dishonest concealment from Distillers shareholders of a concert party arrangement that existed between Guinness and Pipetec, the company for which Bank Len bought the 10.6m shares at a cost of about £75m.

This is an alleged breach of the Prevention of Frauds (Investments) Act.

151 of the Companies Act. The charge says that the Distillers shares were acquired by Pipetec for the purpose of accepting the bid and thereby receiving Guinness shares. Mr Mayhew, it is alleged, arranged for Guinness to provide a £76m loan to Pipetec to allow it to purchase the Distillers shares.

● Aiding and abetting the failure to disclose to Distillers shareholders the interest that Guinness had, through Pipetec, in the 10.6m Distillers shares, in an alleged breach of section 204 of the Companies Act.

Last night Cazenove said that

Mr Mayhew would remain a partner and "continue to have our full support."

The firm recalled its statement published in January 1987, when it said "no representative of Cazenove ever participated in or was aware of any discussion of illegal activity or any discussion of improper indemnities or inducements."

It added yesterday: "Nothing which has become known since has caused Cazenove to doubt or qualify that statement in any way and we firmly believe David Mayhew to be innocent of any offence."

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For more information about Rihand contact NEI Information Services, NEI House, Regent Centre, Newcastle upon Tyne NE3 3SB. Telephone: 091-284 3191.



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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Friday April 8 1988

BROAD BUSINESS BASE
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WOLSELEY

GE profits jump 16% to \$725m despite sales dip

BY RODERICK ORAM IN NEW YORK

GENERAL ELECTRIC, the US industrial, financial and broadcasting conglomerate, has reported a strong rise in profits for the first quarter despite a slight downturn in sales. Its operating profit margin reached a record 10.3 per cent, due to productivity gains throughout the group and last year's transaction in which it exchanged much of its consumer electronics operations for the medical equipment business of Thomson of France. Net profits for the three months ended March 31 were as forecast on Wall Street, rising 16 per cent to \$725m or 60 cents a share, from the \$624m or 68 cents originally reported a year earlier. Sales dipped 4 per cent to

\$7.98bn from \$8.32bn, although they would have risen 2 per cent if they had been adjusted for the Thomson transaction. GE restated its 1987 first quarter at the end of last year to reflect new income tax accounting rules. The company said, however: "The one-time gain resulting from the restatement is not relevant to ongoing comparisons." Mr John Welch, chairman, said: "We expect double-digit improvement in earnings to continue throughout the year, given the current economic climate. Strong first-quarter performance within the group included plastics, financial services and aerospace."

Financial services earnings were boosted substantially by results at GE Capital, formerly GE Credit, and Employers Reinsurance. Kidder Peabody, the Wall Street firm acquired in mid-1986, had an excellent first quarter and, after acquisition costs, made a positive contribution to GE's earnings. Aerospace margins improved on a slightly higher sales volume. Aircraft engine revenues and operating profits were slightly ahead in spite of a strike at an Ohio plant. Power systems had an operating profit on a slightly lower revenue, compared with break-even last year after restructuring costs.

Coloroll in £207m bid for John Crowther

By Alice Rawsthorn in London
COLOROLL, the fast growing UK home furnishings group, has announced one of the largest all-share deals in London since last year's stock market crash, by mounting a £207m (\$372m) agreed bid for the John Crowther Group.

Crowther is one of the largest carpet and clothing companies in the UK and also has interests in the US, Switzerland and Australia. When the acquisition is completed Coloroll will become one of the most powerful players in the carpets industry. It will be the largest distributor and second largest manufacturer of carpets in Britain and will secure substantial distribution interests in the US carpets market.

Mr John Ashcroft, Coloroll's chairman and chief executive, said yesterday that the acquisition forms a "logical part of our strategy to increase involvement in home furnishings and to add to our interests in the US." Coloroll is doubling its issued share capital to offer one of its shares for every one of its shares for every Crowther share. Coloroll's share price fell by 7p to 174p yesterday, while Crowther's shares, which have risen recently on speculation, slipped by 6p to 168p.

Coloroll, which is advised by S.G. Warburg, is buying Crowther on a prospective price/earnings ratio of 8. Hambros acted as advisor to Crowther. After the acquisition Coloroll will become the third largest textile group in Britain - following Coats Viyella and Courtauld - with estimated sales for the combined companies of £230m and pre-tax profits of £28m. Both Coloroll and Crowther have expanded rapidly in recent years. *Lex, Page 20; Background, Page 31*

David Owen looks at the latest phase in the transformation of a Canadian copper mine Putting a shine on Highland Valley

THE FINAL stage in the transformation of Canada's huge Highland Valley copper mine from a hastily-melded hybrid into a low-cost producer of some pedigree is about to get under way in the remote British Columbia hinterland.

Over the next 15 months, an idled two-line mill will be moved about 7.5km (4.6m) downhill to a site next to the mine's principal milling facility. The move will cost \$75m (US\$66.4m). When it is up and running next year, the resulting complex - with a daily milling capacity of 131,000 tonnes - will be the world's second largest. Already the mine's annual production of copper in concentrate, at 172,000 tonnes, is the world's seventh highest.

The meeting of the mills will probably precipitate the closure of a third aging plant in a comparatively remote location, raising Highland Valley's maximum daily milling rate by about 11,000 tonnes overall. It will complete a process which began in 1982 with the collapse of copper and other base metal prices.

The sustained slump which followed presented Cominco and Lornex, two established Canadian mining houses, with a similar problem.

Both operated self-contained open-pit copper mines in the valley about 300km north-east of Vancouver. Neither was achieving desired levels of profitability from facilities. In Cominco's case, the competitive advantage of its recently opened and relatively high-grade Valley orebody was undermined

by a low milling rate and high haulage costs. With Lornex, the edge afforded by a cost-efficient milling operation was offset by inadequate mine productivity and the poor market for the steel additive molybdenum, an important by-product.

The obvious solution seemed to be to combine the two operations and to use the Cominco mine to feed the Lornex mill. In January 1986, after lengthy talks, an agreement in principle was signed to do just this. Six months later, the Highland Valley Copper partnership, 55 per cent owned by Cominco and 45 per cent by Lornex, became effective.

The Valley pit was to be the source of about 80 per cent of the new venture's planned ore production. The deal was struck in a decidedly austere atmosphere. In 1985, Cominco, long a cornerstone of the Canadian mining industry, returned its biggest ever net operating loss. Lornex's profit over the same period was a lacklustre C\$24.1m.

By the end of 1986, with metals prices still in the doldrums, Canadian Pacific, the diversified conglomerate, had sold its controlling 52.5 per cent stake in Cominco. About 20m of the 34m shares - for a 29.5 per cent interest in the group - were bought by Numehling, a holding company 50 per cent-owned by Teck Corporation. The remainder were sold to the public.

The ownership change cemented the Highland Valley partnership, since Vancouver-based Teck, now effectively the largest shareholder in Cominco, also owned 23 per cent of Lornex. Teck's interest in Highland Valley was further boosted in January 1988 when its 50 per cent-owned Highmont Mining Company, erstwhile operator of the about-to-be-moved mill, joined the partnership in exchange for a 5 per cent interest. This reduced Cominco's stake in Highland Valley to 50 per cent. While the 1986 agreement provided the Highland Valley partners with the wherewithal to run one viable operation - even with copper prices still languishing at between 60 and 70 cents/lb - instead of two unviable ones, the unsatisfactory configuration of plant meant there was still plenty of room for improvement. It is this factor that has been exercising the minds of management at Highland Valley for the last two years. Attention has focused on reducing the amount of haulage work necessary from the mine's 66-strong fleet of 100 to 235-tonne trucks. As part of an initial C\$33m development plan completed late last year, an in-pit crushing and conveyor-belt system was installed to carry Valley ore about 2.5km to the Lornex plant. According to Mr Paul Hansen, Highland Valley president, this has reduced ore transport costs from the Valley pit by more than 3 cents/lb of copper when compared with the previous all-truck operation. Taking into account all the benefits of integrating the Cominco and Lornex operations, particularly the increased ore throughput stemming from the accelerated exploitation of the Valley orebody, Mr Hansen calculates the net cost savings are of the order of 8.6 cents/lb. Productivity has also improved. Since the first half of 1986, employment at Highland Valley has risen marginally to 1,350 while the amount of copper produced has increased by about 28 per cent. Mr Hansen believes the key to the success of this operation is low manning. Since mid-1987, commodities markets have been kind to Highland Valley, turning the mine - where production costs are comfortably among the lower third of Western world producers - into a strong earner. Copper prices on the London Metal Exchange peaked in December at just under \$1.45 a lb, more than double the level at which they have hovered since 1982. Molybdenum recently traded as high as \$4.25 - its best level for three years. Two-thirds of Highland Valley's output is sold to Japanese smelters on biennial contracts renegotiated last year. Because smelters deduct a fixed treatment/refining charge from an agreed but periodically adjusted price for copper metal, mines like Highland Valley have benefited more than the ingot-makers themselves from the recent bull market. According to Mr Hansen, the charges now levied by the Japanese amount to between 15 and 16 cents/lb. "As low as the price of copper has gone, we have always been profitable," he says.

Royex Gold to go ahead with merger plans

By Robert Gibbens in Montreal

CANADA'S Royex Gold Mining, flush with C\$180m (US\$145m) in its treasury and seeking more gold-mining acquisitions, is going ahead with a merger plan to simplify its corporate structure and in the process create one of North America's largest gold producers.

Royex will merge with three affiliates - International Corona Resources, Lacama Mining and Marcot Gold Mines - and another company, Galveston Resources, by share exchange. The continuing company will be known as Corona.

Mr Peter Steen, Royex president, said the merged unit would have more clout and shareholder values would be improved. Royex went ahead with the plan rather than wait for the Supreme Court of Canada's decision on ownership of the rich Page Williams gold mine in Northern Ontario.

Paris bank expected to take Latina stake

BY ALAN FRIEDMAN IN MILAN

DUMENIL LEBLE, the Paris investment bank 26.5 per cent owned by Mr Carlo De Benedetti's Cerus group, is expected to acquire shortly a substantial equity stake in Latina, the Italian financial services concern, majority controlled by Mr De Benedetti.

Latina includes insurance companies with L500bn (\$404.5m) of premium income, plus companies operating in leasing, factoring, mutual funds, portfolio management and property. Talks under way are believed to be aimed at bringing Dumenil Leble into Latina with a shareholding of up to 15 per cent. The move would involve the issue of new Latina shares reserved for the French bank.

Cofide, Mr De Benedetti's master holding company, would see its 54 per cent shareholding in Latina diluted, but would continue to retain majority control.

● Iniziativa Meta, the Montedison financial services, insurance and retailing subsidiary soon to be transferred to the Ferruzzi foods group in a controversial share deal, yesterday reported a 15 per cent rise in 1987 consolidated net income, to L4.4bn.

Meta's 1987 group revenues were 7 per cent higher at L3,098bn.

At the end of last year, Meta had L15bn of net debt against a L27bn cash balance the year before.

Meta, which owns a 49.95 per cent stake in the cash-rich La Fondiaria, Florence-based insurer, will be merged with the as yet unquoted Ferruzzi family company. ● Nuovo Banco Ambrosiano yesterday announced plans to launch the first Italian mutual fund designed exclusively as a vehicle for investment in equities outside Italy.

Hughes Aircraft pays £151m for UK simulator group

BY CLAY HARRIS IN LONDON

BET, the UK-based international services group, is to sell Rediffusion Simulation, a leader in flight simulators for civil and military aircraft, for £151m (\$233m) to Hughes Aircraft, the aerospace subsidiary of General Motors of the US.

Hughes was the only US contender on a short list of six com-

panies, which included two each from the UK and continental Europe and one from Japan, BET said.

Neither of the two companies which submitted firm bids was British.

BET also said it expected shortly to announce the sale of Rediffusion Radio Systems, a

maker of electronic communication equipment.


The group put both businesses up for auction in December in order to concentrate on its core operations, a broad range of industrial support services.

The flight simulator operations are based at Crawley, Sussex, and Arlington, Texas.

The deal includes BET's share in the ground-training centre at London's Gatwick airport, of which British Airways owns the other half.

Rediffusion Simulation achieved an estimated operating profit of £10m on turnover of £140m in the year which ended on April 2.

This announcement appears as a matter of record only.



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February 23, 1988

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INTL. COMPANIES AND FINANCE

Andersen faces the music in Milan

By Alan Friedman and Cristina Paghera in Milan

THE MOST remarkable thing about this week's embarrassed 'mea culpa' from the Italian subsidiary of Arthur Andersen, accused by regulatory authorities of various improprieties, was not so much the transgression itself, but the fact that the Milan branch of the world's second biggest accounting firm had been caught red-handed and admitted as such.

Arthur Andersen has been sharply censured by Consob, the Italian stockmarket regulatory authority, for breaking the rules which ban consultancy firms from offering consultancy services along with the auditing of company accounts. In the wake of Consob's criticism, Andersen's senior partner in Milan has also admitted that the firm acted improperly in offering to cut its fees while soliciting business from a client in the banking sector.

The Arthur Andersen case has rocked the auditing world in Italy. But there are signs that Andersen's violations may be only the tip of a larger iceberg. The "Big Eight" international accounting firms have all had a presence in Italy going back nearly 30 years, but it has only been in the last decade that auditors have expanded their activities and engaged in cut-throat competition for new business.

In Italy, the only companies which by law must provide externally audited accounts are those quoted on the stock exchange, plus insurers and fiduciary trusts. This amounts to only about 500 clients. A further 1,500 companies hire auditors on a voluntary basis.

By contrast there are 28 accounting firms in Italy, employing 2,600 auditors. Last year revenues from auditing business reached the still comparatively modest level of L250m (\$202m). The biggest in Italy is Arthur Andersen, with a fifth of total business and an auditing staff of 550.

Andersen, say competitors, has been extremely aggressive in its drive for new business. And in the course of this drive it has engaged in a practice known in the trade as "low-balling" or offering to meet or undercut any other prices. This is a common occurrence in many countries, but even more so in a still-evolving and under-regulated market such as Italy.

For example, in February a medium-sized Milan company which hopes to seek a listing on the bourse asked three auditors for fee quotations. The fees proposed varied laughably. A large state company in Rome recently switched auditors and in the process is said to have halved its fees.

The issue of accountants offering consultancy services to companies whose books they audit is more serious. Consob wants to crack down on what it sees as potential conflicts of interest and has written to all companies with audited accounts urging them not to use the consultancy services of their auditors.

A 1976 law is aimed at keeping auditing and consultancy separate, but all of the "Big Eight" tend to get round this by setting up an Italian version of a "Chinese wall" which keeps auditing and consulting as separate companies inside the same group.

Mr Maurizio Milanese, Andersen's senior partner in Milan, on Wednesday admitted that a colleague of his had acted improperly and promised it would not happen again.

BASF shows modest fall after poor start to year

BY ANDREW FISHER IN FRANKFURT

BASF, ONE of West Germany's three big chemical concerns, yesterday reported a slight drop in group profits for last year as a result of problems in the oil, fertilizer, and magnetic tape sectors, but said that 1988 had begun more strongly than expected.

Group profits before tax were 1.5 per cent lower at DM2.59bn (\$1.5bn) on turnover of DM40.24bn, a decline of 0.6 per cent. After a slow start to 1987 as a result of poor weather, BASF said volume sales picked up sharply. With prices also steadily improving after the middle of the year.

The company is the last of the three German chemical majors to report results. Bayer achieved an 8 per cent pre-tax rise to

DM3.1bn, though turnover was down slightly, mainly because of the lower dollar. Hoechst, aided by a first-time contribution from Celanese of the US, also earned taxable profits of DM3.1bn, a 10.4 per cent increase.

BASF said that despite the increasing strength of the D-Mark, turnover and sales volume showed significant increases for both exports and foreign subsidiaries, especially in North America.

Business in chemicals, plastics and finishing products developed well, the group said. But the further drop in the oil price, especially in the second half, offset the effect of higher volume sales in the oil and gas sector and the result here was unsatisfactory. The group has already said that

Wintershall, its oil subsidiary, would not make a profit in 1987, though it had recovered from a heavy 1986 loss.

Also continuing to cause problems was the fertilizer division, where action has already been taken to reduce and concentrate output. Another difficult area was the magnetic tape business, where the rapid price fall in world markets also led to a loss.

Despite the drop in pre-tax income, BASF said it expected a considerable improvement in its results after tax. Low oil prices had caused BASF to reduce oil production, and this would ease its tax burden, the company said. Thus its net figure, DM910m in 1986, would be similar to those of its two German rivals.

Profit warning from Bekaert

BY WILLIAM DAWKINS IN BRUSSELS

BEKAERT, THE Belgian steel wire and cord maker, has warned it is about to report a second consecutive year of net profits decline.

Mr Jacques Rahe, corporate secretary, said the group would change the full cost of a plan to cut its Belgian workforce by a quarter over the next five years against 1987 profits. This would account for the entire profits fall when the group released annual results on April 15.

Ignoring restructuring costs, underlying net profits perfor-

mance would be in line with the BF2.56bn (\$73.5m) recorded in 1986 - itself a 12 per cent drop from the preceding year - though that figure would be restated to BF2.9bn because of an internal change in accounting practice.

Mr Rahe said the group had decided to charge for the cost of restructuring rather than as they occurred, to get rid of uncertainty over profits performance in following years. Last year the group managed to weather most of the dollar's decline, which, for 1986, had contributed to a weak-

ness in prices on export markets, he added.

The restructuring scheme, unveiled last September, will bring about 1,400 job losses at Bekaert's main plant in the Flemish town of Zvevegem. It is part of company strategy to try and shift production closer to customers, a growing number of which are in the US and around the Pacific Basin.

Nearly 60 per cent of Bekaert's sales, BF45.7bn last year, are made outside the European Community.

Bic hit by slack stocking sales

BY GEORGE GRAHAM IN PARIS

BIC, THE ballpoint pen and throw-away razor group, has only produced a slight lift in net profits to FF376m (\$66.6m) against 1986 after the declining dollar and flat earnings from the Din stocking subsidiary hit earnings.

An exceptional gain of FF108m, mainly from the sale of a 24 per cent stake in Din to Sara Lee of the US, took overall net profits to FF484m compared with FF369m in 1986. BIC has since agreed to sell a further 31

per cent of Din to Sara Lee, giving the US cakes and cookies group 61 per cent control, after full conversion of a FF200m bond issued last year.

Dim suffered bad publicity following the launch of its Din Up suspenderless stockings, which were initially a great success, but turned sour as dissatisfied consumers complained that the stockings did not stay up. The subsidiary reported flat

profits of FF55.2m in 1987 on sales up 1 per cent to FF1.98bn. The sale to Sara Lee is still being investigated by the French Finance Ministry, which must approve foreign investments.

Bic Corporation, the US subsidiary, reported profits 10 per cent higher in dollars, but 9 per cent lower in francs as a result of the dollar's slide. Earnings from the Brazilian subsidiary slipped to FF24m from FF40m in 1986.

Finland may privatise state engineering group

BY OLLI VIRTANEN IN HELSINKI

VALMET, THE Finnish state-owned metal and engineering group, is expected to be partly privatised before the end of this year. A formal decision of the flotation will probably be made within the next few weeks, the Ministry of Trade and Industry said yesterday.

Valmet is one of Finland's leading metal and engineering companies with net sales of FM7.4bn (\$1.55bn) last year. It is one of the world's leading manufacturers of paper-making machinery. Val-

met's share capital amounts to FMS20m (\$130m).

The Finnish Government is preparing a programme of privatisation. Other potential candidates include Kemira, the fertilizer and paint making group, Outokumpu, the base metals group, Veittälä, the forest products company and Finnair, the national airline.

In each case the state is expected to retain a majority of the share capital and votes.

Dutch insurer ahead and plans to pay more

NATIONALE-Nederlanden, the leading Dutch insurance group, excluding minority interests, by FF 703.1m (\$76m) from FF 635.5m for 1987 and plans a higher dividend, writes *Our Financial Staff*.

Total revenue was FF 17.2bn, the same as in 1986, but widening margins helped lift operating profits to FF 923m against FF 855m. The company is stepping up its dividend from FF 2.49 a share to FF 2.65.

Elf-Aquitaine profit declines as forecast

BY PAUL BETTS IN PARIS

ELF-AQUITAINE, THE French state-controlled oil group, has reported lower net earnings of FF1.1bn (\$77m) for 1987 compared with FF1.3bn. Group sales rose to FF119.7bn from FF119.7bn.

Earnings are in line with general expectations. The oil group had indicated in January that it expected to report between FF1.4bn and FF1.3bn for 1987.

Like other leading oil groups, ELF's downstream refining and distribution operations were hit by the difficult oil industry environment. However, group chemicals and pharmaceutical operations performed strongly.

ELF said group cash flow declined to FF15bn last year from FF18.5bn. Capital spending totalled FF15.9bn in 1987 compared with FF16.1bn.

Accor, the leading French hotel group, increased net earnings, excluding minority interests, by 44 per cent to FF334.2m for 1987 from FF281.5m the year before. Turnover rose by 13 per cent to FF14.6bn.

The company is the leading hotel group in Europe controlling 713 hotels throughout the world and 2,215 restaurants.

N.V. Koninklijke Nederlandsche Petroleum Maatschappij
(Royal Dutch) Established at The Hague, The Netherlands

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Wednesday 11th May, 1988, at 10.30 a.m. in the "Nederlands Congresgebouw", 10 Churchplein, The Hague, The Netherlands.

AGENDA:

1. Annual Report for 1987.
2. Finalization of the Balance Sheet and the Profit and Loss Account together with the Notes thereto for 1987 and declaration of the final dividend for 1987.
3. Appointment of a member of the Supervisory Board.
4. Appointment of a member of the Supervisory Board.
5. Appointment of a member of the Supervisory Board owing to retirement by rotation.

The documents referred to under items 1 and 2 are available for inspection and may be obtained free of charge at - the Company's office, 30 Canal van Bylandtlaan, 2506 HR The Hague; - the office of Shell Oil Company, Transfer Agent, One Shell Plaza, P.O. Box 53608, Houston, Texas 77052; - the head offices of the banks stated below.

The nominations for the appointments referred to under items 3, 4 and 5 are available for inspection at the Company's office.

The nomination for the appointments referred to under item 3 lists Mr. J.D. Hooglandt first and Mr. V.A. Tiedemann second, that for the appointment referred to under item 4 lists Mr. J.F. Bookout first and Mr. F.W.A. Goos second and that for the appointment referred to under item 5 lists Mr. E.G.G. Werner first and Mr. A.C. Helfrich second.

REGISTRATION:

A. Holders of share certificates to bearer may attend the meeting if their

share certificates, or evidence that their certificates are held in open custody by De Nederlandsche Bank N.V., are deposited against receipt not later than 8th May, 1988, at one of the institutions mentioned below, viz:

In the Netherlands: Algemene Bank Nederland N.V.; Amsterdam-Rotterdam Bank N.V.; Bank Van der Hoop Offers N.V.; Bank Mees & Hope NV; Kas-Associatie N.V.; Pierson, Helderling & Pierson N.V.

In Austria: Creditanstalt-Bankverein, Österreichische Länderbank AG, Schoeller & Co., all in Vienna.

In Belgium: Société Générale de Banque S.A., Crédit Lyonnais, Creditbank N.V., all in Brussels.

In the Federal Republic of Germany: Deutsche Bank AG, Frankfurt/Main, Düsseldorf, Hamburg or Munich; Dresdner Bank AG, Frankfurt/Main, Düsseldorf, Hamburg, Munich or Saarbrücken; Deutsche Bank Berlin AG, Berlin; Bank für Handel und Industrie AG, Berlin; Deutsche Bank Saar AG, Saarbrücken.

In France: Lazard Frères & Cie, Paris.

In Luxembourg: Banque Internationale à Luxembourg S.A., Luxembourg.

In Switzerland: Schweizerische Kreditanstalt, Schweizerische Bankgesellschaft, Bank Leu AG, all in Zürich; Schweizerischer Bankverein, Basle; Pictet & Cie, Geneva.

In the United Kingdom: N.M. Rothschild & Sons Limited, London.

In the United States of America: Shell Oil Company, Houston, Texas.

B. Holders of registered shares who are of record may attend the meeting if they make their intention to do so known to the Company in writing at the place and by the time indicated below:

- with respect of shares of The Hague and Amsterdam Registry: at the Company's office at The Hague, not later than 4th May, 1988;

- with respect to shares of New York Registry: at the office of Shell Oil Company, Houston, Texas, not later than 4th May, 1988.

C. Holders of certificates for "New York shares", which are depositary receipts issued pursuant to an agreement dated 10th September, 1978, under which The Chase Manhattan Bank, N.A. is successor depositary, may attend (but not vote at) the meeting if their certificates for "New York shares" are deposited against receipt not later than 8th May, 1988, at the office of Algemene Bank Nederland N.V., C.K.E., P.O. Box 2230, 4800 CE Breda, or at the office of Shell Oil Company.

D. Usufructuaries and pledges with voting rights: what is stated above under A and B regarding registration is correspondingly applicable to usufructuaries and pledges of bearer shares or registered shares if they have voting rights.

POWERS OF ATTORNEY:

Those who wish to have themselves represented at the meeting by a proxy must not only comply with what is stated above under A, B, C and D respectively, but must also deposit a written power of attorney not later than 5th May, 1988, at the Company's office, at the office of Shell Oil Company or at the above-mentioned banks.

If desired, forms which are obtainable free of charge at the Company's office, at the office of Shell Oil Company and at the banks may be used for this purpose.

The Hague, 8th April, 1988

The Supervisory Board

Notice of Redemption to the Holders of

Canadian Pacific Securities Limited ("CPSL")

Can\$75,000,000 11 7/8% Guaranteed Notes due 1990 (the "Notes") Guaranteed by Canadian Pacific Enterprises Limited ("CPE")

NOTICE IS HEREBY GIVEN that pursuant to Condition 9(c) of the Terms and Conditions of the Notes, CPSL has elected to redeem all of the Notes on May 15th, 1988 at 101 per cent of their principal amount plus accrued interest (Can. \$0.33 per Note) up to but excluding the redemption date. Interest on the Notes will cease to accrue on the redemption date.

Payment of the redemption price (Can. \$1,010.33 per Note) will be made against presentation and surrender of the Notes and Coupons due May 15th, 1988 and May 15th, 1990 at any of the Paying Agents listed below. In the event that Notes are presented with Coupons due May 15th, 1988 and/or May 15th, 1990 missing, the face value of such such missing Coupon (Can. \$118.75) will be deducted from the redemption price. The principal amount so deducted will be paid, without interest, upon surrender of the relevant missing Coupon(s) in accordance with the Terms and Conditions of the Notes.

Paying Agents

Orion Royal Bank Limited
71 Queen Victoria Street, London EC4V 4DE
(Principal Paying Agent)

The Royal Bank of Canada AG Guldenstrasse 85 6000 Frankfurt/Main 1 Federal Republic of Germany	The Royal Bank of Canada (Belgium) SA rue de Ligne 1 1000 Brussels, Belgium
The Royal Bank of Canada (Swiss) SA Brue Doldy 1204 Geneva, Switzerland	First Interstate Trust Company of New York 2 Broadway, 25th Floor, New York, NY 10004
The Royal Bank of Canada (France) SA 3 rue Sorbè, 75440 Paris France	

Coupons which mature prior to the redemption date should be detached and presented for payment in the normal fashion.

DATED: LONDON, 8 APRIL, 1988
For and on behalf of
Canadian Pacific Securities Limited by:

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group
PRINCIPAL PAYING AGENT AND FISCAL AGENT

Notice of Redemption to the Holders of

Canadian Pacific Limited ("CPL")

U.S.\$75,000,000 14 1/4% Collateral Trust Bonds due 1992 (the "Bonds")

NOTICE IS HEREBY GIVEN that pursuant to Condition 9(b) of the Terms and Conditions of the Bonds, CPL has elected to redeem all of the Bonds on June 1st, 1988 at 101 per cent of their principal amount. Interest on the Bonds will cease to accrue on the redemption date.

Payment of the redemption proceeds (U.S.\$1,010.00 per Bond) will be made against presentation and surrender of the Bond with all coupons appertaining thereto maturing after the redemption date at any of the Paying Agents listed below. In the event that Bonds are presented with any such unexpired coupons missing, the face amount of such missing coupon will be deducted from the redemption proceeds and any such amount so deducted will be payable, without interest, upon presentation of such missing coupon(s) in accordance with the Terms and Conditions of the Bonds.

Paying Agents

Orion Royal Bank Limited
71 Queen Victoria Street, London EC4V 4DE
(Principal Paying Agent)

The Royal Bank of Canada AG Guldenstrasse 85 6000 Frankfurt/Main 1 Federal Republic of Germany	The Royal Bank of Canada (Belgium) SA rue de Ligne 1 1000 Brussels, Belgium
The Royal Bank of Canada (Swiss) SA Brue Doldy 1204 Geneva, Switzerland	First Interstate Trust Company of New York 2 Broadway, 25th Floor, New York, NY 10004
The Royal Bank of Canada (France) SA 3 rue Sorbè, 75440 Paris France	

Coupons which mature prior to the redemption date should be detached and presented for payment in the normal fashion.

DATED: LONDON, 8 APRIL, 1988
For and on behalf of
Canadian Pacific Limited by:

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group
PRINCIPAL PAYING AGENT AND FISCAL AGENT

U.S. \$200,000,000

Hydro-Québec

Floating Rate Notes, Series FV,
Due May 2005

Interest Period	5th November 1987
	5th May 1988
Interest Amount per U.S.\$10,000 Note due 5th May 1988	U.S.\$372.28

Credit Suisse First Boston Limited
Agent Bank

TEOLLISUUDEN VOIMA OY
(TVO Power Company)
USS100,000,000
Floating Rate Notes due 2004

Notice is hereby given that the Rate of Interest for the first Interest Sub-period of the Interest Period ending on 11th July 1988 has been fixed at 7 1/4% per annum. The amount payable for the first Interest Sub-period will be USS80.42 and will be payable together with the amounts for the second and third Interest Sub-periods of the said Interest Period on 11th July 1988 against surrender of Coupon No. 17.

Manufacturers Hanover Limited
Agent Bank

M4 Property Survey

Publication date:
Friday 15 April

The M4 Property Survey will now be appearing on Friday 15 April. We apologise for any inconvenience caused by this change of date.

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UNDERSTANDING GAINED FROM EXPERIENCE

Group Precious Metal Mining Companies' Reports for the quarter ended 31 March 1988

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/0488/05)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold - East Driefontein			
Ore milled (t)	785 800	705 000	2 115 000
Gold produced (kg)	8 178.9	9 517.5	26 599.0
Yield (g/t)	11.5	13.5	12.5
Price received (R/kg)	30 412	30 461	30 323
Revenue (R/milled)	240,96	214,91	640,66
Cost (R/milled)	104,56	107,53	105,72
Profit (R/milled)	136,40	107,38	534,94
Revenue (R000)	245 738	230 396	805 106
Cost (R000)	73 706	75 810	225 731
Profit (R000)	172 032	154 586	579 375
Gold - West Driefontein			
Ore milled (t)	720 000	720 000	2 160 000
Gold produced (kg)	7 397.3	7 920.0	23 541.3
Yield (g/t)	10.3	11.0	10.9
Price received (R/kg)	29 792	30 424	30 000
Revenue (R/milled)	214,679	214,236	709 130
Cost (R/milled)	88 381	82 778	256 999
Profit (R/milled)	126 298	131 458	452 131
Revenue (R000)	214 679	214 236	709 130
Cost (R000)	88 381	82 778	256 999
Profit (R000)	126 298	131 458	452 131
Uranium Oxide			
Pulp treated (t)	218 473	217 780	642 943
Oxide produced (kg)	18 362	16 365	53 880
Yield (kg/t)	8.407	7.515	8.384
FINANCIAL RESULTS (R000)			
Working profit: Gold	298 530	373 044	1 031 207
(Loss)/Profit on sale of Uranium Oxide and Sulphuric Acid	(39)	1 040	3 039
Tribute royalties	230	665	2 298
Net mining revenue	298 421	374 749	1 036 544
Recovery under loss of profits insurance	7 980	30 424	7 000
Net sundry revenue (group)	22 922	23 109	65 961
Profit before tax and State's share of profit	329 323	397 882	1 109 503
Tax and State's share of profit	182 360	243 365	661 717
Profit after tax and State's share of profit	146 963	154 517	447 786
Capital expenditure	52 618	41 705	126 056
Dividend	—	169 200	169 200

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 31 March 1988 was R259.1 million.

DIVIDEND: A dividend (No. 29) of 60 cents per sub-divided share was declared on 8 December 1987, and was paid to members on 10 February 1988.

SHAFTS

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 149 metres to a depth of 1 027 metres below the collar.

No. 1 Terley Shaft-E. The excavation of the rock winder chamber was completed. Work is in progress on the other winder chambers and development of the rope race was completed.

Production
The seals isolating the site of the fire, previously reported, have been removed.

WEST DRIEFONTEIN

No. 7 Shaft-W. The equipping of this shaft was completed and services are being installed prior to the commissioning of the shaft. Station development should commence shortly.

No. 8 Shaft-W. The commissioning of the fan is in progress.

No. 9 Sub-Vertical Shaft-W. Work continues on the development of the shaft layout on 22 level. Development in the access route to 21 level and the water to 23 level is in progress.

Production
All seals installed as a result of the fire were removed and development in the No. 7 Shaft-W area has resumed.

General
The road and railway bridge spanning the provincial road P131/1 has been completed and the railway line connecting No. 7 Shaft-W with No. 4 Shaft-W is under construction.

On behalf of the board
C. T. Fenton
A. J. Wright } Directors

7 April 1988

Northam

Northam Platinum Limited
(Registration No. 77/0322/06)

ISSUED CAPITAL: 14 400 000 shares of 1 cent each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	44 327	32 100	101 127
Net income after tax	1 588	1 761	5 474
	42 739	30 339	95 653

All income and expenditure has been capitalised as pre-production mine development expenditure.

1. CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 31 March 1988 was R301.9 million.

2. PROGRESS AT THE MINE

No. 1 Shaft. The shaft was sunk 374 metres to a depth of 906 metres below collar.

No. 2 Shaft. The shaft was sunk 275 metres to a depth of 1 140 metres below collar. A pump chamber station was excavated and supported at 1 019 metres below collar.

On behalf of the board
C. T. Fenton
A. J. Wright } Directors

7 April 1988

Vlakkfontein

Vlakkfontein Gold Mining Company Limited
(Registration No. 05/0619/05)

ISSUED CAPITAL: 6 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	18 326	14 806	43 113
from underground sources (t)	129 485	115 310	387 929
from surface dumps (t)	62 191	79 884	198 970
from outside sources (t)	—	—	—
Total milled (t)	210 000	210 000	630 000
Gold produced (kg)	232.2	214.4	663.3
Yield (g/t)	1.3	1.0	1.1
Price received (R/kg)	30 045	30 635	30 385
Revenue (R/milled)	33,25	31,31	31,94
Cost (R/milled)	32,60	30,92	30,84
Profit (R/milled)	0,65	0,39	1,10
Revenue (R000)	6 984	6 570	20 123
Cost (R000)	6 847	6 495	19 431
Profit (R000)	137	81	692
FINANCIAL RESULTS (R000)			
Working profit: Gold	137	81	692
Net sundry revenue	203	311	895
Profit before tax	340	392	1 577
Tax	6	162	2
Furnish tax	5	9	26
Non-mining tax	—	—	—
Profit after tax	329	221	1 549
Capital expenditure	473	2 644	5 695
Dividend	—	1 020	1 020
CAPITAL EXPENDITURE			
(a) The unexpended balance of authorised capital expenditure at 31 March 1988 was R2.1 million.			
(b) The expenditure for the quarter ended 31 March 1988 relates mainly to Doregebul.			
DIVIDEND: A dividend (No. 83) of 15 cents per share was declared on 8 December 1987, and was paid to members on 10 February 1988.			
DROOGEBOUL PROJECT: The decline advanced 21 metres to a depth of 421 metres and development of 3 Level Station has started. Underground development and stoping is proceeding according to plan.			
On behalf of the board C. T. Fenton A. J. Wright } Directors			
7 April 1988			

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05-0831/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	1 305 000
Gold produced (kg)	1 957.5	2 131.5	6 177.0
Yield (g/t)	4.5	4.9	4.7
Price received (R/kg)	29 993	30 557	30 394
Revenue (R/milled)	135,19	149,92	143,60
Cost (R/milled)	107,99	101,95	104,68
Profit (R/milled)	27,20	47,97	38,92
Revenue (R000)	58 807	65 217	187 402
Cost (R000)	46 976	41 370	135 310
Profit (R000)	11 831	20 857	52 092
FINANCIAL RESULTS (R000)			
Working profit: Gold	11 831	20 857	52 092
Recovery under loss of profits insurance	—	—	635
Net sundry revenue	2 239	2 210	6 704
Profit before tax and State's share of profit	14 070	23 067	59 431
Tax and State's share of profit	1 938	4 185	11 329
Profit after tax and State's share of profit	12 132	18 882	48 102
Capital expenditure	6 853	10 463	26 216
Dividend	—	14 000	14 000
CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 31 March 1988 was R89.9 million.			
DIVIDEND: A dividend (No. 74) of 35 cents per sub-divided share was declared on 8 December 1987, and was paid to members on 10 February 1988.			
On behalf of the board A. J. Wright C. T. Fenton } Directors			
7 April 1988			

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/0462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	1 620 000
Gold produced (kg)	7 290.0	7 470.0	22 230.0
Yield (g/t)	13.5	13.8	13.8
Price received (R/kg)	29 975	30 473	30 169
Revenue (R/milled)	160,90	162,19	486,30
Cost (R/milled)	134,75	131,08	134,30
Profit (R/milled)	27,15	31,11	252,00
Revenue (R000)	218 864	227 982	674 417
Cost (R000)	178 768	170 782	537 569
Profit (R000)	40 096	57 200	136 848
FINANCIAL RESULTS (R000)			
Working profit: Gold	146 096	157 200	456 848
Recovery under loss of profits insurance	—	—	252
Net sundry revenue	6 675	6 947	21 233
Profit before tax and State's share of profit	152 771	164 147	478 333
Tax and State's share of profit	30 643	50 296	158 330
Profit after tax and State's share of profit	122 128	113 851	320 003
Capital expenditure	79 539	77 892	211 183
Dividend	—	72 660	72 660
Loss of debentures	8 175	—	16 350
CAPITAL EXPENDITURE:			
(a) The unexpended balance of authorised capital expenditure at 31 March 1988 was R793.7 million.			
(b) Included in the total of capital expenditure for the quarter ended 31 March 1988 is an amount of R43.3 million in respect of leasold land.			
DIVIDEND: A dividend (No. 36) of 60 cents per share was declared on 8 December 1987, and was paid to members on 10 February 1988.			
SHAFTS			
KLOOF			
No. 4 Sub-Vertical Shaft-E. Slipping of the headgear portion of the shaft was advanced to 72 metres below 21 Level. Work on the establishment of the hoist chambers is continuing.			
LEEUWDOORN			
No. 1 Shaft-L. The shaft was sunk 214 metres to a depth of 1 737 metres below collar. The station on 20 level was established and 21 Level Station is currently being excavated.			
No. 1 Sub-Vertical Shaft-L. Slipping of the headgear portion of the shaft was completed at a depth of 34 metres below the bottom of No. 1 Ventilation Shaft-L. The rope races were completed and the hoist chambers are currently being established. Work is progressing on the lining of the headgear dome.			
On behalf of the board C. T. Fenton A. J. Wright } Directors			
7 April 1988			

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/0532/06)

ISSUED CAPITAL: 20 200 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	1 170 000
Gold produced (kg)	1 462.0	1 560.0	4 682.0
Yield (g/t)	3.8	4.0	3.9
Price received (R/kg)	30 077	30 282	30 188
Revenue (R/milled)	114,41	121,38	118,95
Cost (R/milled)	104,72	102,50	105,49
Profit (R/milled)	9,69	18,88	13,47
Revenue (R000)	44 621	47 341	139 182
Cost (R000)	40 846	41 302	123 418
Profit (R000)	3 775	6 039	15 764
FINANCIAL RESULTS (R000)			
Working profit: Gold	3 775	6 039	15 764
Net sundry revenue	1 351	1 705	4 210
Profit before tax	5 126	7 744	19 974
Tax	1 138	2 125	4 979
Profit after tax	3 988	5 619	14 995
Capital expenditure	488	1 024	1 975
Dividend	—	6 000	6 000
CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 31 March 1988 was R16.5 million.			
DIVIDEND: A dividend (No. 95) of 30 cents per sub-divided share was declared on 8 December 1987, and was paid to members on 10 February 1988.			
On behalf of the board C. T. Fenton A. J. Wright } Directors			
7 April 1988			

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1988	Quarter ended 31 Dec 1987	Nine months ended 31 March 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	366 000	366 000	1 098 000
Gold produced (kg)	1 976.4	1 959.9	5 831.6
Yield (g/t)	5.4	5.3	5.3
Price received (R/kg)	29 841	30 290	30 127
Revenue (R/milled)	108,37	109,55	109,25
Cost (R/milled)	139,58	140,05	141,09
Profit (R/milled)	21,39	19,70	19,16
Revenue (R000)	59 063	58 700	175 951
Cost (R000)	51 233	51 551	154 918
Profit (R000)	7 830	7 149	21 033
FINANCIAL RESULTS (R000)			
Working profit: Gold	7 830	7 149	21 033
Net sundry revenue	1 604	1 836	5 238
Profit before tax and State's share of profit	9 434	8 985	26 271
Tax and State's share of profit	788	925	2 600
Profit after tax and State's share of profit	8 646	8 060	23 671
Capital expenditure	4 855	8 565	25 079
Dividend	—	8 000	8 000
CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 31 March 1988 was R128.0 million.			
DIVIDEND: A dividend (No. 62) of 20 cents per sub-divided share was declared on 8 December 1987, and was paid to members on 10 February 1988.			
No. 3 SHAFT COMPLEX. On 27 February 1988 a locomotive fell down the shaft causing some damage to the shaft and cutting off power to the sub-vertical shaft. Repairs have been completed and development work has recommenced on 47 and 47 1/2 level.			
On behalf of the board A. J. Wright C. T. Fenton }			

INTL. COMPANIES AND FINANCE

Peter Marsh on a US group's venture with Takeda Chemicals
Abbott taps Japanese know-how



Robert Schoellhorn, Japan's second biggest drug company, is becoming very prolific in its own research.

ABBOTT LABORATORIES, the US drugs company, takes a long-term view of the potential of its joint venture with Takeda Chemical Industries, the biggest Japanese pharmaceutical manufacturer.

Other Western drug companies appear to share its optimism. In recent years, many have signed licensing agreements to sell Japanese-developed products in their own countries.

The Takeda-Abbott venture, in the form of a jointly-owned US-based company called TAP, was formed in 1977 but so far has only one product, an anti-cancer drug called Lupron.

US sales of Lupron, which were estimated at a mere \$6m in 1986, are far from stupendous. Even so, Mr Robert Schoellhorn, Abbott's chief executive here, has been keen for the joint company, which has its own manufacturing facilities and a 70-strong sales force.

Mr Schoellhorn believes TAP has a series of promising products emerging from its research pipeline, including antibiotics and drugs for combating leishmaniasis and malaria. In each case, the initial research took place in Takeda's own laboratories in Japan, with later development and clinical trials proceeding under TAP's auspices in the US.

"Japan used to be thought of as one of the world's greatest copiers," says Mr Schoellhorn, whose own company is best known for its anti-infection and cardiovascular products as well as for its development of kits of chemicals for diagnosing diseases like AIDS. "But now the country

is becoming very prolific in its own research."

Gradually, more of Japan's medical products are permeating into other countries, though with the country's drug industry exporting only 3 per cent of its annual sales of about ¥4,700bn (\$37.5bn) it has a long way to go compared with other Japanese businesses such as cars and electronics.

This growth in licensing agreements and direct overseas sales has resulted, say observers, from an increased emphasis in Japan in the past decade in biology-related research which has led to promising new medical products.

At the same time there has been a change in thinking on the part of the country's big pharmaceutical concerns, which have become more interested in exports partly because a series of price cuts by Japan's health authorities has restricted opportunities for purely domestic growth.

One of the biggest international successes has been Cardizem, a calcium antagonist drug used for heart disease, which is sold by Marion Laboratories of the US under licence from Takeda, a leading Japanese drug concern.

Sales of Cardizem have climbed particularly strongly, from \$11.8m in 1985 to a projected \$50m this year, according to figures from Nomura Securities, the Japanese stockbroker.

Other pharmaceutical products from Japan which have been a hit abroad include Daiichi Seiyaku's Tarivid antibiotic, which

has been licensed to both Hoechst of West Germany and Johnson & Johnson in the US, respectively, and Takeda's anti-ulcer drug Gaster.

Gaster may, according to some analysts, soon start to challenge the dominance in ulcer therapy of the Zantac and Tagamet drugs, the world's two top-selling pharmaceuticals, which are made respectively by Glaxo of Britain and SmithKline Beckman of the US.

Among licensing deals Squibb, the US drugs company, has high hopes for a cholesterol-reducing formulation called eptastatin which is under development by Sankyo, Japan's second biggest

drug company. Sales of this product, which is not expected to be launched until 1990, could reach \$400m a year by the middle of that decade, according to estimates.

Ell Lilly, another large US drugs group, is also keenly interested in the prospects of sales in the West of two heart drugs (which as yet have no name) under development by Yamazouchi.

One of the most bullish observers of the Japanese drugs scene is Mr Peter Woods, an analyst at Barclays de Zoete Wedd, the London stockbroker firm. He says Japanese drug companies have a lead over the West in many therapeutic areas, including certain fields of antibiotics and of neurology.

But according to Ms Barbara Arzymanow, an analyst with Kleinwort Greaveson, claims about the degree to which the Japanese will succeed in internationalising their drugs industry should be treated cautiously. She points out that Japan's pharmaceutical business still has to complete the job of changing its culture to look more aggressively towards foreign markets. Added to this is that in some important areas - treatment of cancer for instance - the Japanese approach to drugs is very different from that seen in the West.

"The Japanese are doing some very good science in pharmaceuticals," says Ms Arzymanow. "But it will take a while, perhaps 10 years, for the results to show through."

This announcement appears as a matter of record only.



Akzo N.V. and Akzo America Inc.

**US\$ 200,000,000
 Revolving Credit Facility**

Provided by:

Amsterdam-Rotterdam Bank N.V. **The Dai-ichi Kangyo Bank, Ltd.**
 New York Branch New York Branch

Advised by:
Dai-ichi Kangyo Bank Nederland N.V.

March, 1988

Lower rand gold prices hit GFSA mines

BY JIM JONES IN JOHANNESBURG

LOWER RAND gold prices, higher operating costs and reduced overall recovery grades cut the combined working profits of the seven mines managed by Gold Fields of South Africa (GFSA) by more than 16 per cent in the quarter to March.

They produced a total working profit of R562m (\$235.7m) against R699m in the 1987 December quarter as the average gold price slipped to R29.94 per kilogram from R30.435 and working costs at the seven mines increased to R416m from R406m.

In absolute terms the worst affected was Driefontein Consolidated, the largest of the group's mines. The gold recovery grade dropped to 11.5 grams per tonne from 13.5 g/t at the mine's east division and to 10 g/t from 11 g/t at the west division.

In relative terms Libanon and Venterspost were the worst

GOLD FIELDS OF SOUTH AFRICA QUARTERLIES						
	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 88	Dec 87	Mar 88	Dec 87	Mar 88	Dec 87
Deelkraal	2,301	2,285	35.93	36.14	22.7	23.6
Doornfontein	1,978	1,940	8.85	8.12	9.5	(2.1)
Drie Cons	15,375	17,438	146.04	154.49	45.8	55.3
Kintop	7,290	7,470	102.13	112.21	28.1	29.2
Libanon	1,958	2,182	12.13	18.89	13.2	21.1
Venterspost	1,482	1,580	3.99	5.82	17.4	22.8
Vlaaktontein	232	214	0.33	0.22	(2.1)	(35.5)

affected. Mr Colin Fenton, the head of GFSA's gold division, says Libanon is "battling" with falling grades and narrowing gold reefs. The narrower reef has meant larger areas have to be mined to produce the same amount of ore and this is leading to sharp cost increases.

The cost of mining and processing each tonne of ore rose by 6 per cent in the March quarter while the mine's recovery grade dropped to 4.5 g/t from 4.9 g/t, leading to a 50 per cent cut in the quarter's operating profit.

At Venterspost, operating earnings were cut 37 per cent as the gold recovery grade slipped to 3.5 g/t from 4 g/t and despite a slight reduction in unit working costs, Venterspost is in line to develop

virgin ground to the east of its present boundaries, though the expansion is likely to be delayed by the new minimum companies tax (MCT) announced in South Africa's March budget.

MCT, described as a temporary measure, will be levied at a rate of 25 per cent on the difference between the amount paid in dividends and that paid in tax. The effect is to diminish the advantages of using the tax shield of an operating mine to develop new ventures.

Deelkraal, which has not yet redeemed its initial capital expenditure and which, as a result, is not yet liable to pay mining tax, is also affected by MCT. Mr Fenton estimates the mine's additional tax liability at R10m this year, but there remains considerable uncertainty in the mining industry over the application of the new tax.

Israel's banks bounce back

BANK HAPOLIM, Israel's largest bank, will have a lot to live up to when it publishes its 1987 results next Monday. Over the past month, its four leading rivals have roared back from an abysmal performance in 1986 - a collective income of under \$1m to report net profits for last year of nearly \$187m.

For once, there have been no laggards in a remarkably uniform picture of improvement in profitability and return on capital. Benefiting from stable economic conditions, high interest rates and a strong consumer spending boom, the Israeli banking system appears to have enjoyed its best year in over a decade.

Last year's performance was, in part, a natural rebound from an abysmal 1986. But the year was enhanced by a number of special factors. Andrew Whitley in Tel Aviv reports

may have jumped from \$13.6m to \$25.3m, but under pressure from the big boys, eating into Fibi's traditional customer base, the annualised gross return on capital showed a steady decline.

Mirroring the performance of the economy as a whole, Israeli banking has always behaved as if it were on a roller-coaster. Soaring upwards one year, the downward lurch the next is often painful. Last year's exceptionally strong performance was, in part, a natural rebound from 1986. But the year was enhanced by a number of special factors.

A reduction in top rates of taxation - where the banks complain constantly of discriminatory treatment - and changes in accounting practices helped. So, too, did moves to create additional liquidity by disposing of unproductive, non-banking assets.

Bank Leumi, for example, boasts that in this way it raised its "free" financial capital during the year by Sh1 350m (\$24.8m) - inevitably begging the question of why the action was not taken before, especially in such a bad year as 1986.

However, perhaps the most important reason for last year's success was a surge in the most profitable segment of the business: shekel deposits and loans unlinked to either the consumer price index or the exchange rate.

At Bank Leumi, for example, unlinked shekel business rose by 50 per cent in real terms.

Three months into 1988, the country's top bankers are hopeful that even if they do not manage to top last year's record figures, at least they should be able to hold their own. Profit margins are narrowing, and the windfall gains of last year cannot reasonably be expected to continue. On the other hand, provided the economy does not take a dive, the heavy burden of loan provisions should be considerably lessened.

Qintex sells off \$A31m assets

By Bruce Jacques in Sydney

IN A SEQUEL to Wednesday's \$A126m (\$88.3m) purchase of two television stations from Bell Group, Mr Christopher Skase's Qintex yesterday announced asset sales worth about \$A31m.

Mr Skase has agreed to sell a Queensland holiday resort, some freehold property and three regional radio stations. He says the divestments are consistent with the group's strategy of concentrating on its core businesses in the media, entertainment and leisure sectors.

Mr Skase is also reportedly prepared to sell two regional Queensland television stations which have a combined value estimated between \$A50m and \$A70m.

If he sold the stations, plus a proportion of his Adelaide station, his TV network would probably remain below the 60 per cent limit for national audience reach set by the Federal Government.

Bank Leumi le-Israel, the traditional market leader overtaken in 1986 by its long-standing rival Hapoalim, led the way with a dramatic jump in its inflation-adjusted net profits. From a miserable \$3m in 1986, last month Mr Zedek Blom, its chief executive, announced a record profit for any Israeli company at \$112m.

Bank Leumi Bank (IDB), owned by the Recanat family, followed with a proportionately even bigger jump. After barely scraping into the black the previous year, it reported that after-tax profits rose to more than \$40m.

In its own way the turnaround at United Mizrahi Bank, fourth-ranked in terms of assets, was just as remarkable. The bank of Israel's influential religious community was able to turn a loss of \$17m into a 1987 profit equivalent to \$10.2m.

The industry's performance would have been even better if it had not been for sharply increased provisions for doubtful loans, running against the grain of the previous year's bullish forecasts that the worst was over. All told, the four which have reported so far have put aside provisions totalling \$387m.

Egged on by the regulatory authorities, which recommended an across-the-board increase in

the 1988 general provision of 0.5 per cent of loan portfolios, the commercial banks' evidently decided to take the opportunity to undertake a thorough housecleaning.

But the scale of the increased volume of suspected bad debts has surprised everyone. They come in large part from domestic small and medium-sized corporate borrowers, and raise worrying questions about a deterioration in underlying economic conditions.

Mr Gidon Lahav, IDB's managing director, nearly doubled write-downs at his bank to the equivalent of \$60m, but is at the same time one of the few bankers who does not endorse worries of an all-out recession later this year.

From their already high 1986 levels, Mizrahi and Leumi made only relatively modest increases in their provisions, of 10 and 33 per cent respectively. But First International Bank of Israel (FIBI) felt compelled to raise its provisions by 100 per cent.

Beneath Mr Blom, the man who made the smallest of Israel's big five into the industry's most exciting performer, Fibi's growth last year appeared shorn of some of its previous magic. Net profits

Japan's builders in overseas links

JAPANESE construction companies are beginning to link with counterparts abroad in order to aid access to each other's markets, writes Our Financial Staff.

The moves come in the wake of an agreement late last month between the Tokyo and Washington Governments on opening Japanese state-financed projects to US participation.

Fujita, a specialist in Tokyo urban redevelopment, has tied up with Daniel Mann Johnson and Mendenhall (DMJM) of the US

and plans to operate jointly to seek contracts in Japan and other countries in the region.

Tobishima, which already has a New York subsidiary, yesterday announced a joint venture with Dumez of France to develop resorts and recreation facilities worldwide.

The two will spend ¥18bn (\$142.8m) on a condominium complex on the Cote d'Azur. It will be their first venture and called Transocean Development.

Halifax Building Society
 Floating Rate Loan Notes 1992
 For the three month period from 7 April, 1988 to 7 July, 1988 the Notes will bear interest at the rate of 8 1/2 per cent per annum. The Coupon amount per £5,000 Note will be £108.00, payable on 7 July, 1988.
 Morgan Grenfell & Co. Limited
 Agent Bank

Brasilvest S.A.
 Net asset value as of 30th March, 1988 per CZ Share: 138.341.43 per Depository Share: US\$11,145.77 per Depository Share: (Second Series) US\$10,466.56 per Depository Share: (Third Series) US\$8,907.17 per Depository Share: (Fourth Series) US\$8,321.19

QUANTUS FUND
 Société d'Investissement à Capital Variable
 R.C. Luxembourg B-23203
 Notice of Meeting

Notice is hereby given that the third Annual General Meeting of QUANTUS FUND will be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on:

Thursday 21st April, 1988 at 11 noon,

for the purpose of considering the following Agenda:

- To receive and adopt the Management Report of the Directors for the year to 31st December, 1987.
- To receive and adopt the Report of the Statutory Auditor for the year to 31st December, 1987.
- To receive and adopt the Annual Accounts as at 31st December, 1987.
- To appropriate the earnings.
- To grant discharge to the Directors and the Statutory Auditor in respect of the execution of their mandates to 31st December, 1987.
- To ratify the resignation and appointment of one Director of the Company.
- To receive and act on the statutory nomination for election of Directors and the Statutory Auditor for a new term of one year.
- To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the Registered Office of the Company not later than twenty-four hours before the Meeting.

By order of the Board of Directors
 J. Pierson
 General Secretary

£100,000,000
BBB
BRADFORD & BINGLEY BUILDING SOCIETY

Floating Rate Notes Due 1998

Interest Rate 8 3/4% per annum
 Interest Period 6th April 1988 to 6th July 1988
 Interest Amount per £10,000 Note due 6th July 1988 £217.55

Credit Suisse First Boston Limited
 Agent Bank

Shearson Lehman Brothers Holdings Inc.
 (Incorporated in Delaware)
 U.S. \$300,000,000
 Floating Rate Notes Due October 1996

For the three months 8th April, 1988 to 8th July, 1988, the Notes will carry an interest rate of 7.19375 per cent per annum and interest payable on the relevant interest payment date 8th July, 1988 will amount to U.S. \$181.84 per U.S. \$10,000 Note.

By Morgan Guaranty Trust Company, of New York, London Agent Bank

U.S. \$100,000,000
BIL
Brierley Investments Overseas N.V.
 (Incorporated with limited liability in the Netherlands Antilles)
 Floating Rate Notes Due 1992
 all unconditionally and irrevocably guaranteed by Brierley Investments Limited (Incorporated with limited liability in New Zealand)

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the interest period from April 6, 1988 to July 5, 1988 the Notes will carry an interest rate of 7.19375 per cent per annum. The amount payable on July 6, 1988 will be U.S. \$179.63 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
 April 6, 1988

DEN NORSKE STATS OLJESKAP A.S. (STATOIL)
 FF 750,000,000
 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes notice is hereby given that the Rate of Interest for the Interest Period 30th March 1988 to 30th June 1988 has been fixed at 8.5% per annum. The interest payable on the relevant interest payment date, 30th June 1988, will be FF217.122 per FF100,000 Note and FF217.122 per FF100,000 Note.

Banque Paribas de Paris p.l.c. Reference Agent

CREDIT FONCIER DE FRANCE
 US\$350,000,000
 Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that for the six month period from 28th October 1987 to 29th April 1988 the interest amount per US\$10,000 to be paid on 29th April 1988 is US\$377.45 (Interest on the notes is subject to a minimum interest rate of 5 per cent per annum).

BANQUE NATIONALE DE PARIS p.l.c. Reference Agent.

We are pleased to announce the appointments of:

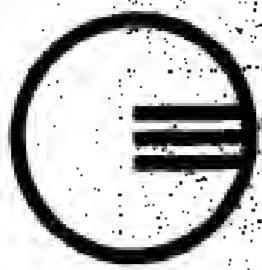
David Plants
 Vice President, International Analyst
 Putnam International Advisors, Ltd., London

Justin Scott
 Vice President, International Portfolio Manager
 Putnam International Advisors, Boston

Putnam

The Putnam Companies
 One Post Office Square
 Boston, MA 02109

Boston London Tokyo



To Gillette Stockholders: Gillette's Future Prospects

Dear Fellow Stockholders:

Gillette's Board of Directors believes that your vote at the 1988 Annual Meeting should be based on:

- Gillette's future prospects.
- The record of the Board of Directors and management in creating stockholder value.
- Gillette's commitment to maximize value for all stockholders.

Gillette's Future Prospects

Based on Gillette's current business plan, the Company expects:

- Net income for the first quarter of 1988 to increase at least 25% to a range of \$.60 to \$.65 per share, compared with \$.48 and \$.36 per share during the first quarters of 1987 and 1986, respectively.
- Full-year 1988 net income to increase at least 25% to a range of \$2.50 to \$2.60 per share, compared with \$2.00 per share for 1987 and \$1.42 per share for 1986 (before special charges of \$1.30 per share).

Assuming 1988 net income of at least \$2.50 to \$2.60 per share, Gillette's net income per share will have increased at approximately a 12% compound annual rate since 1980. Based on Gillette's current business plan, and assuming no major changes in exchange, tax or inflation rates compared with current rates, Gillette expects continued earnings growth at a compound annual rate well above 12% for each of the next several years beginning in 1989.

The Board of Directors believes that this growth, which is significantly above industry averages, results from Gillette's ongoing business plan, as enhanced by the Company's restructuring and reorganization. The key contributing factors are:

- Continuing sales growth, aided by significant new product introductions in each business segment.
- The sales build-up by non-blade businesses to a critical mass in several geographic markets.
- Positive developments in key businesses, including higher profit margins in the blade business, due to increased productivity and enhanced worldwide product mix, and increased earnings and cash flow from Braun, aided by its expansion into the U.S. market.
- Increased operating profit margins, resulting from continuing productivity gains.
- The benefits of prior divestitures and discontinuance of underperforming businesses.
- Declines in interest expense due to increased operating cash flow permitting reduction of borrowings.

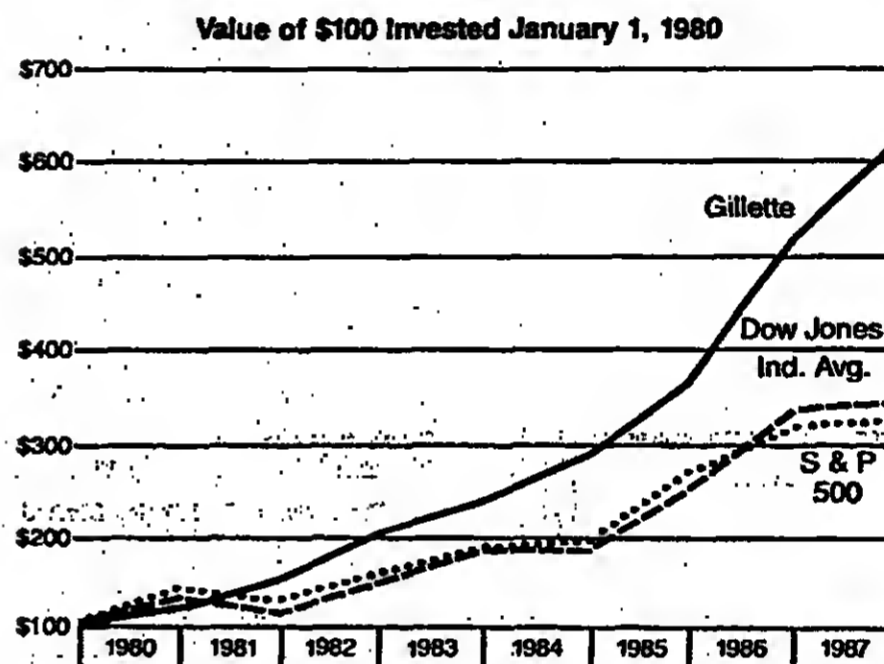
Gillette expects to introduce in late 1989 or early 1990 a superior new shaving system that it believes will have a material positive impact on the earnings from the Company's largest and most profitable business segment—blades and razors. Gillette's international manufacturing and distribution network, enhanced by the recent reorganization, will enable an accelerated worldwide roll-out compared with past major system launches. Gillette believes that these strengths will increase profit margins once the new shaving system is in full production. Gillette also believes that, because of the continued growth in profitability of all its businesses, there should be no significant overall erosion in the Company's profit margins during the period before and after the new system launch.

Gillette believes that, given the Company's bright future, a sale or break-up of Gillette for short-term gain would be untimely, should not be done for the benefit of one particular group and would deprive all other Gillette stockholders of expected substantial future increases in stockholder value.

Creation of Stockholder Value

Gillette stock has been an excellent investment:

- Gillette's stock price has more than doubled since the beginning of 1986.
- Gillette has increased its dividend rate 32% and split its stock twice in the last two years. During the same period, Gillette paid more than \$170 million in dividends to its stockholders. At the current dividend rate the Company is paying nearly \$100 million per year to Gillette stockholders.
- Gillette's compound annual rate of return has significantly exceeded conventional stock market averages from January 1, 1980 through December 31, 1987.
- The value of a \$100 investment in Gillette stock at the beginning of 1980 grew to \$608 by the end of 1987—more than 175% of the value of a comparable investment in either the Dow Jones Industrial Average or the Standard & Poor's 500.



Commitment to Maximize Value for All Stockholders

Gillette's Board of Directors believes that the Company's performance, prospects and record for producing increases in stockholder value distinguish Gillette from Coniston's prior targets.

The Board is resolute in its commitment to maximize value for all stockholders and believes that it would be a mistake to sacrifice the present and sustainable value of an investment in Gillette solely so that a group of market players can show a short-term return to their financial backers.

Accordingly, the Board respectfully requests that, if you have not already done so, you evidence your support by signing, dating and returning the BLUE proxy card today.

Sincerely,

Colman M. Mockler, Jr.
Colman M. Mockler, Jr.
Chairman of the Board and
Chief Executive Officer

April 6, 1988

IMPORTANT

Your vote is very important. If you have not already done so, please sign, date and return today the BLUE proxy card in the postage prepaid envelope enclosed with your proxy material.

If you have already returned a BLUE proxy card and have not later signed a white proxy card, no further action by you is required to vote for the Board's nominees.

Please do not return any white proxy card. If you have returned a white proxy card, even if to withhold authority to vote, please sign, date and return the BLUE proxy card in the postage prepaid envelope enclosed with your proxy material.

If your shares are held in the name of a broker or nominee, you must provide voting instructions to the broker or nominee for your shares to be represented at the meeting.

For assistance or further information, please call the Company toll free 1-800-551-0100 from outside Massachusetts and 1-800-421-4121 from inside Massachusetts, or call the Company's proxy solicitor, Georgeson & Company Inc., at 212-440-9800 (call collect), or toll free at 1-800-223-2064.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

West Germany tightens rules on insider trading

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S stock markets yesterday announced a tightening of their rules on insider trading...

Under the stiffened voluntary code, rules against insider trading will be extended to apply to such company advisers as management consultants...

In an effort to highlight those companies which do not accept voluntary insider rules, their published daily share price movements will be accompanied by a special negative indication.

to those companies which have accepted the rules. About 520 companies are quoted on Germany's eight bourses...

The revised rules were drawn up by the stock markets working party on insider dealings...

to others, they also give wider powers of investigation to officials charged with enforcement. Just over a year ago...

But he said he wanted to see investors represented on the enforcement committee and the definition of insider extended to include people such as assistants and secretaries...

Pilkington in £350m financing

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

PIKINGTON, the UK glass manufacturer, and Hydro-Quebec, the Canadian power concern...

The Pilkington financing is a £350m committed multi-option facility, being arranged by National Westminster Bank.

The term is initially five years, extendible by a further year on each anniversary of signing.

utilisation fee of 2% basis points if more than one-third drawn and 5 basis points if more than two-thirds used.

Annual underwriting fee will be 7% basis points, although Pilkington will be able to designate as unavailable up to half the facility...

Pilkington expects to draw on part of the facility to refinance short- and medium-term borrowings as they mature over the next two years.

The Hydro-Quebec financing, through Credit Suisse First Boston, is for \$400m and is in the form of a five-year revolving credit for use as a standby financing alongside existing standbys.

Commitment fee is 5 basis points, and the margin 10 basis points, with utilisation fees of 3 basis points if more than one-third drawn and 7 basis points if more than two-thirds drawn.

Kone Corporation of Finland has a \$150m Eurocommercial paper programme, arranged by Union Bank of Finland.

Strength in New York brings two dollar issues

By Alexander Nicoll, Euromarkets Editor

TWO BORROWERS, seizing the opportunity of a surge late Wednesday in New York in demand for the dollar and dollar bonds, yesterday launched Eurodollar issues which the market viewed favourably.

Toyota Motor Credit was first on the scene with a \$500m three-year issue, followed by a Cayman Islands subsidiary of Swiss Bank Corporation with a \$200m two-year deal managed by a London unit without a management group.

Toyota, which had previously issued a fairly large number of different, moderate-sized issues, sought to meet dissatisfaction with this by adding a tap feature to the new one. It may be increased to \$600m, potentially aiding liquidity.

The issue was launched by Nomura International at 101.1 with an 8 1/2 per cent coupon, giving a yield margin over US

Dominique Jackson on how the pound has affected the Euromarkets Sterling sector full to bursting

THE RELENTLESS ascent of sterling may have traumatised UK-based exporters and unsettled companies set to see overseas earnings pared by currency depreciation.

At least that appeared to be the case until last week's Easter break, when the rush of eager borrowers tapping the Eurosterling market ground to an abrupt halt.

This week's dearth of new issues in the sector, however, may not be as ominous as it seems. The first quarter was particularly buoyant, with £3.57bn worth of Eurosterling issued out of a total £8.8bn worth of Eurobonds.

The market is currently still endeavouring to digest the huge volume of new Eurosterling paper launched during the festive period following the pound's breach of the DM5 level last month. During the following week, five issues, totalling \$226m, were launched.

Added to this indication, both the Eurosterling and the gilt-edged markets are temporarily stumped as to which direction they should be moving in next.

"The market is a little wary of the currency itself at the moment. The propeller effect of sterling seems to have worn off and we are definitely seeing some profit-taking now."

A patent deterrent to prospective borrowers is the number of

new issues still unsatisfactorily placed. The Eurosterling sector has traditionally been largely supply-driven and is now full to bursting, particularly with popular five-year maturities, often for many issues which are less than top grade.

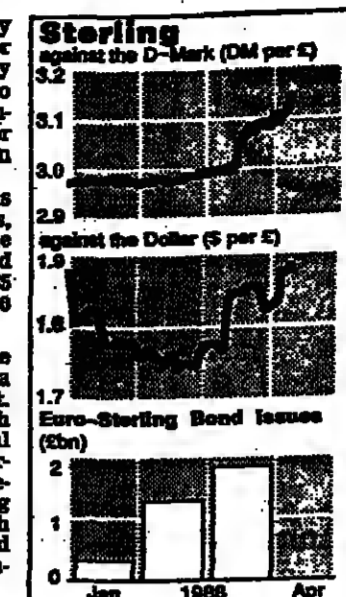
On several issues, such as those for non-UK bank names, spreads over comparable gilt-edged issues have widened considerably from around 30 to 35 points at launch to nearer 60 points over.

However, these issues form the lower level of what is now a clearly defined two-tier market. The top tier consists of high grade sovereign, supra-national and government-guaranteed borrowers, such as the \$100m Sweden deal launched by Warburg Securities last month and which has now been informally adopted as the sector's current benchmark issue.

The spread on the Sweden deal has narrowed since launch, while a \$50m issue for Swedish Export Credit has managed to maintain its initial spread level.

While paper from financial institutions, particularly UK building societies, languishes at these levels, a surprising number of UK corporate names - traditionally coveted by Swiss investors - are now trading more or less with no yield margin above gilts and still seeing good demand. These include household favourites Marks and Spencer - which is trading at a yield lower than gilts - British Telecom and ICI.

Syndicate managers also noted a slight contraction of the swap opportunities which prompted so many of last month's issues, per-



Sterling against the D-Mark (DM per £) and Euro-Sterling Bond Issues (€bn) from Jan 1988 to Apr 1988.

In the short term, the primary Eurosterling market could remain quiet as both investors and borrowers await some clearer portent from the foreign exchange market on the likely future course of sterling.

Syndicate managers said several borrowers were currently sitting patiently in the pipeline until conditions improve. The reception of any new issues, however, will depend a great deal on the quality of the borrower.

Despite substantial investment in awareness campaigns on the Continent, the building societies have failed to penetrate the consciousness of European investors and Eurosterling specialists agreed that another issue from one, no matter how fairly priced, would meet a stony reception.

By contrast, many suggested that a sovereign borrower such as Norway could launch a successful issue, provided the spread over comparable gilts was around 20 to 25 points. A European government-guaranteed state entity would be welcome with a launch spread of 25 to 30 points.

Given the dull tone of the Eurodollar sector, Eurosterling still looks like the most attractive of the major Euromarket currencies and seems set to increase further in depth and importance this year.

The UK's swing into hedgefund surplus also augurs well for the sector. A net reduction in available gilt-edged stock may oblige several UK institutions, such as insurers and pension funds, to turn their attention to the market in Eurosterling and domestic bonds for UK corporates which, less than six months after the crash, still look a safer bet than many equity investments.

Swaps into floating rate dollars were also popular and, in recent weeks, banks' thirst for fixed rate Canadian dollars and sterling opened several attractive swap windows for borrowers in the two currencies.

But this aggressive buying tailed off as borrowers obliged with a spate of Canadian dollar and Eurosterling issues, satisfying the need for fixed rate funds and making swap rates look less attractive than they did earlier in the year.

Swaps into floating rate dollars were also popular and, in recent weeks, banks' thirst for fixed rate Canadian dollars and sterling opened several attractive swap windows for borrowers in the two currencies.

Potter buys stake in New Zealand broker

BY OUR FINANCIAL STAFF

POTTER PARTNERS, the large Australian securities company, is to take a half share in Buttle Wilson, one of New Zealand's biggest stockbrokers.

Buttle Wilson said the New Zealand regulatory authorities had cleared the deal, but stock exchange approval was still awaited. It did not disclose the price paid.

The 14 partners in Buttle Wilson will hold the remaining 50 per cent. The firm said it had been looking for an international partner since early 1987.

Turnover in New Zealand equities has been at a low ebb since the October crash, which caused problems for several of the country's broking houses. Buttle Wilson is, however, described as profitable and is unrelated to the smaller Buttle & Co which suspended trading just after Christmas.

Potter is itself half owned by S.G. Warburg, the London investment bank, which bought into the firm two years ago. Meanwhile, Bank of Singapore (Australia), which is 70 per cent

owned by Oversea-Chinese Bank Corporation (OCBC) of Singapore, yesterday acquired control of McNeil Mantha Arthur, a small Melbourne stockbroker.

The firm, formed last year, was half owned by McNeil Mantha of Montreal, Bank of Singapore will provide 75 per cent of the financing and the Canadian securities house the remainder. Mr Ray Arthur, managing director of the Australian broker, retains a voting interest.

Mr Arthur said the deal, also for an undisclosed price, was subject to Australian Stock Exchange approval. The firm will be renamed BOS Stockbroking. Mr Michael Gleeson-White of Bank of Singapore, who becomes chairman of the broker, said it would act as a channel for investment in the Australian market by customers of OCBC in Singapore. It would also help expand the bank's retail financial services offered within Australia. An options trading division will be retained by the Canadian company, but BOS Stockbroking will act as its clearing broker.

French bond auction pulls in FF6.4bn

THE FRENCH Government yesterday sold FF6.405bn of bonds into a strengthening market at its regular monthly auction, taking its funding to FF7.405bn, out of a total borrowing requirement for the whole year of FF210bn, writes George Graham in Paris.

As at last month's heavily oversubscribed auction, the Treasury met just under 30 per cent of the bids, at yields slightly below recent secondary market rates.

A total of FF2.75bn was allotted on the TRB 1983, a five-year floating rate bond indexed on the yields of the weekly auction of short-term Treasury bills, at an average margin of 38 basis points over Treasuries.

The seven-year fixed rate OAT 8 1/2 per cent 1985 sold FF2.65bn, at an average yield of 8.21 per cent, while the Treasury also allotted FF1.025bn of the 15-year OAT 8 1/2 per cent 2002, at an average yield of 8.54 per cent.

Dealers said the Treasury, which was very successful in its funding in the first quarter, has been careful not to overload the market at a time of investor insecurity over the outcome of the presidential election.

INTERNATIONAL BONDS

Treasuries of 47 basis points net of fees, compared with 40 basis points or below on comparable outstanding issues in the market. Nomura placed well over half the issue itself, and interest was broadly spread between Japan, the Middle East and Europe.

Syndicate managers saw some boldness in the launch given the state of investor interest in dollars, but said success was assured by the good name and fair terms. The issue was bid at 1.32 points below par, within the 1 1/2 fees.

Swiss Bank Corporation investment banking's decision to manage its issue solely followed the same treatment of an issue for its parent last year. The two-year deal, said to be designed to meet a specific funding need of the bank, was priced at 100 1/2 with a 7 1/2 per cent coupon to give a margin of 36 basis points over Treasuries at launch. It said the issue met good demand outside Switzerland and was bid at 99 1/2.

Meanwhile, dollar bond prices steadied after the New York gains which had been acquired by market speculation about an official floor for the dollar and by seasonal purchases of US government bonds by the Federal Reserve.

Dealers say that although there is interest among non-dollar-based investors in quite short maturities of dollar bonds, it is still tentative. It is likely to remain so with the next batch of US trade figures due next week as well as the regular half-yearly gathering of officials in Washington, which will include a Group of Seven meeting.

In these circumstances, Nippon Telegraph and Telephone may wait until after the meetings to launch an issue for which it is sounding out the market. It is understood to want the yen equivalent of \$300m or more with a maturity of seven to 10 years. Syndicate managers doubt the market's ability to absorb a large issue with such a long maturity without greater assurance about the dollar's direction.

The Canadian dollar sector's run continued, with a C\$125m issue from Hydro-Quebec, the Canadian power concern following the success of Sweden's \$250m deal - increased from C\$200m - on Wednesday. Pechiney made a DM\$225m issue, increased from DM200m, through CSFB Effectenbank. The seven-year issue was priced at 99 1/2 with a coupon of 6 1/2 per cent, and met good demand based on its well-known name and well-ventured conditions. It was bid 1 1/2 points below issue price, within the 2 1/2 per cent fees.

Secondary D-Mark bond trading was subdued, with small gains based on New York's strength. Prices ended up about 1/4 point.

In yen, the State Bank of New South Wales issued a ¥10m four-year bond through Daiwa Europe with a 7 per cent coupon, 101 1/2, and redemption linked to Japanese government bond futures prices.

In Switzerland, trading was quiet with small volume as the market awaited new incentives. Three recent Japanese equity-linked bonds had their coupons cut when terms were fixed. A SF\$50m issue for St Genevieve Resources ended its first day's trading two points below its par issue price.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issue Size, Bid, Offer, Change, and Yield. Includes sections for US DOLLAR STRAIGHTS, US STRAIGHTS, FOREIGN STRAIGHTS, CONVERTIBLES, and SWISS FRANCS.

This announcement appears as a matter of record only.

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HONG KONG'S apparently insatiable lust for gambling has made the Royal Jockey Club - which has a monopoly of gambling in the British colony - one of the richest and most powerful institutions in the Territory.

But the sheer volume of betting demand has created unique problems, and pushed the Jockey Club to find unique solutions that make it one of the most sophisticated gambling enterprises in the world.

"We have a computer system that can handle 1m betting accounts, and 400,000 clients with telephone betting accounts," says Warren Wilson, the club's director of betting. "But that means over 500,000 telephone calls every racing day, with 1,500 operators handling the surge of calls ahead of time."

"With 1,000 new tele-bet accounts being opened every week, the telephone switchboard has become a bottleneck."

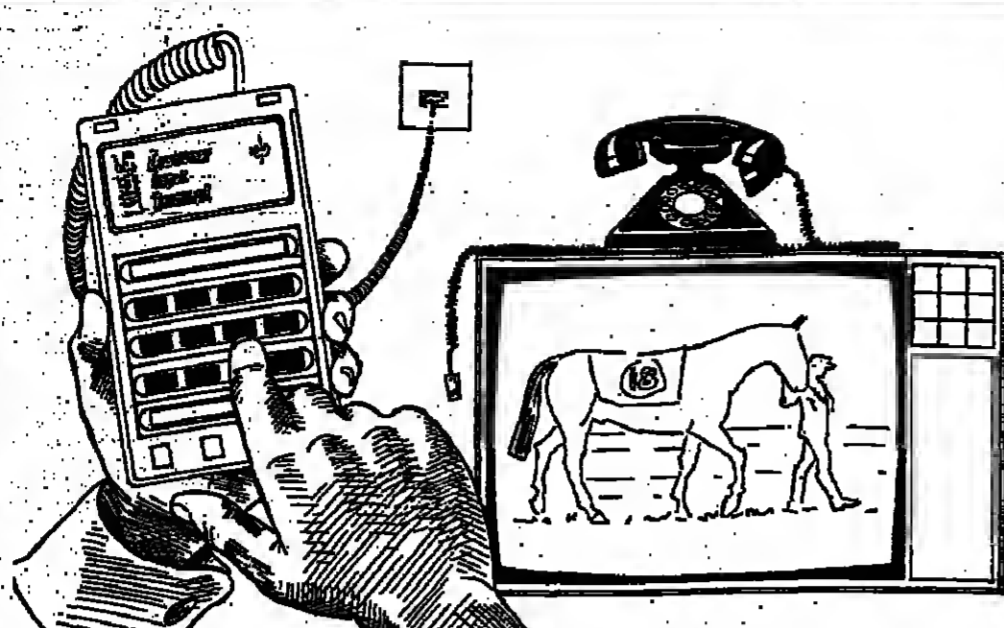
The solution, to be launched on a trial basis with the help of 200 "high-rollers" from next Sunday, is a computerised hand-held betting terminal that can be plugged into any wall telephone socket and can be used by the operator system completely by sending up to five bets in a single digital burst directly into the Jockey Club's mainframe computer.

Assuming the six-week trial spanning the last 13 races of the current horse racing season goes to plan, a total of 25,000 betting terminals - called customer input terminals or CITs - will be offered to the club's busiest gamblers over the coming racing season which starts in September. By 1991, 75,000 terminals are expected to be in use, with a long-term target of 300,000 CITs.

"To say we are offering them to 'high rollers' is not strictly correct," says Wilson. "Our target is the gambler generating the largest volume of bets - not the gambler placing the largest bets. The terminals will be well beyond the reach of most gamblers, but not intended as such - we need to take pressure off our telephone operators."

The volume of betting on Hong Kong's twice-weekly race meetings is claimed to be the highest in the world. Gamblers place an average of HK\$20m (US\$4m) every Saturday and HK\$40m at Wednesday's evening meetings. In the 1986-87 season, over HK\$24m passed through the Jockey Club's hands - making this non-profit-making organisation an important contributor to Hong Kong's economy, and the territory's main source of funds for charitable and community projects, (almost HK\$65m last year).

Few organisations can have become more sophisticated at helping the punters' part with



Hong Kong lends a hand to insatiable gamblers

David Dodwell reports as the colony bets on advanced electronics

their money. Tele-bet accounts have for some years been available to heavy gamblers, and all of the territory's betting shops have electronic funds transfer (EFT) terminals that enable gamblers to top up their tele-bet accounts from their bank accounts with the minimum of inconvenience.

The CIT - developed at a cost of more than HK\$15m - is the

most sophisticated of its kind. It takes little imagination to realise how unwieldy this essential back-up has become.

Developing the CIT has not been plain sailing, however. "We sought a turnkey solution at first, but no single option emerged," says Wilson.

The club received 150 options from 64 tenderers worldwide, many of them bidding in consortiums. In the end, 10 separate parties were selected, and asked to collaborate in making a terminal to the club's own specifications.

Varitronix, a private Hong Kong company, won the contract to make the terminal, with assembly being done by its Avante subsidiary. Digital of the US has provided front-end equipment linking with the club's computer, while Kiel Corporation of the US is supplying the operating system software. International Totaliser Systems of San Diego, California is working as consultant on applications development, and Hongkong Telephone is providing a private network and packet switching for the system. Manufacturers of a modem are to be chosen soon.

"Generally speaking, the security requirements were not properly addressed, or even understood, by some of the tenderers," recalls John Markwell, the Jockey Club's information systems controller. "The terminal provides data

security standards on a par with those for a bank's electronic funds transfer terminals to make sure that no unauthorised person can use the terminal, or tamper with bets. Each client using a CIT has a unique six-figure personal identification number (PIN) that must be keyed in before any bets are placed. Clients also have the option of using a further

three-digit "privacy code" that can be changed at any time. Professor Henry Beker, who heads Rascal Dataguard in the UK, worked with the Jockey Club in designing the security system, and has provided what Markwell describes as a "data security audit."

Once the PIN is keyed in, using the terminal is simplicity itself. From a panel of five screens, client select the type of bet they want - for example win or double. After pressing a touch sensitive "enter" pad, they then select the race number and horse number, or numbers, before pressing the enter pad again.

To send the bet, there is a "send bet" pad. The terminal asks which area the client is calling from (Kowloon, Hong Kong Island, or the New Territories - all separate dialling codes in the Hong Kong telephone system), and even allows punters to dial in from overseas.

The terminal gives instructions to connect the CIT to the telephone socket and press the enter pad. Once the line is connected, the unit will show how many bets are being transmitted, and ask the client to wait for a reply. When this is received, the user is told he or she can disconnect. The terminal will then display the user's opening tele-bet balance, the number of bets accepted, the value of the "investment", and the closing tele-bet balance.

The whole process takes up to 20 seconds, with data being transferred to the club's telephone exchange to handle four to five CIT-connected calls in the time it takes a telephone operator to record one conventional call.

Apart from transmitting bets, the CIT can obtain a user's tele-bet balance, and a history of up to 100 past bets. In due course it will also have the capability to transfer funds from the user's bank account and receive information or messages from the Jockey Club.

The terminal operates on a standard 9-volt battery, which has a 10-hour working life. A standby battery is stored in the terminal, and it has a built-in lithium battery to preserve memory information while batteries are being changed.

The Jockey Club says it hopes in future to get the terminals manufactured for about US\$100 each, but the initial batch of 200 have cost nearer US\$300 apiece. From the beginning of the next racing season, gamblers using a terminal will pay a returnable deposit that provides for immediate service and maintenance, and an annual fee "that will be around the same cost as a premium charge card," says Wilson.

The next major move for Markwell is to enhance the terminals to handle Chinese characters - an essential long-term development since the great majority of Hong Kong's punters speak and read little English. This, however, will require a large increase in the terminal's memory, adding to expense, and possibly making the unit bulkier.

The terminals can handle even the most exotic bets available around Hong Kong's two race tracks - like Quinellas and Tierces - as well as the Territory-wide lottery called the Mark Six. But nothing will be sold of these. After all, if you do not already know about Quinellas, you are hardly likely to be one of those offered a CIT in the first place.

WORTH WATCHING

Edited by Geoffrey Charlish

Off-road vehicles given the treatment

POD of the UK has produced a unit that can turn vehicles like Land Rovers and Toyota Land Cruisers into ambulances or health, dental or veterinary clinics.

The POD unit is essentially a glass-reinforced enclosure measuring 1.75m x 1.78m x 2.36m and weighing 290kg. It can be lifted by four men on to the back of almost any make of one-tonne pick-up truck.

Inside there is space for eight people sitting, or one attendant with two people lying down. The unit can be fitted out for many uses, and air conditioning, refrigeration and independent power generation can be supplied if needed.

How IBM PCs can cut circuit design costs

A COMPUTER-aided design software package that allows printed circuit boards (PCB) to be designed on an IBM personal computer, has been developed by Number One Systems of the UK. The software is offered at only £275.

Adrian Espin, managing director of the company, says there is no intention of competing with the major makers of PCB design systems, which offer advanced functions such as fully automatic routing of the connections on the board.

However, Number One's system, called Easy PC, can deal with boards up to 17 inches square containing 4,000 pads (component attachment points) and 12,000 segments of copper track. In conjunction with a suitable dot matrix printer, camera-ready artwork can be produced for making the board.

Absorbing way around expensive irrigation

FARMERS AND horticulturists can sharply increase the water holding capacity of soils by adding a synthetic copolymer called Alcosorb.

Developed by Allied Colloids of the UK, the substance can absorb more than 400 times its own weight of water but will

make this available in the soil for plant roots to use. The product is non-toxic to plants, animals and humans. It is also non-corrosive.

Alcosorb is marketed by Allied Colloids' agricultural division, Atlas Interlat of Skelmersdale, Lancashire. The company believes that in areas where cultivation depends on the use of expensive irrigation, Alcosorb will cut costs.

Fiat display of more space on the desk top

A DESK-TOP screen and keyboard terminal with a flat plasma screen has been introduced by Densitron Computers of the UK. The unit is able to emulate 15 types of terminals used by several business computer makers.

The first of its type to be built in Britain, the DT80 is aimed mainly at management computing. It occupies about a quarter of the space of a conventional cathode ray tube terminal, having a front to back dimension of only six inches.

The effective display area is 210mm x 132mm, and the DT80 can be programmed by Densitron to operate like terminals from DEC, Hewlett-Packard, Data General, ICL and Honeywell. The unit costs about £1,000 in quantities of more than 10.

Densitron International, the UK parent of the computer company, has operations in Britain, Los Angeles and Tokyo, and a manufacturing plant in Taiwan. Its annual turnover is more than £20m.

Sports coverage gets off to flying start

DRAMATIC TELEVISION pictures of big stadium events, taken by a camera that can "fly" in the space above the stadium, are offered by a system called Skycam.

Tamco Company in Japan is producing the system under licence from the US company Skyworks of Aston, Pennsylvania and Skycam's inventor Garrett Brown. Tamco will manufacture and make Sky-cam available in Japan and seven other Far Eastern countries.

Two other units will be completed soon, one for rental by

Skyworks and the second destined for the first European licensee, probably in Italy.

Skycam consists of an equipment module housing the gyro-stabilised camera. This is suspended by four cables that radiate out to pulleys fixed high up at the four corners of the stadium (or on pylons).

The amount of cable moving over each pulley is computer controlled and depends on the position of a joystick used by the "pilot" to fly the module. In this way the camera can be positioned almost anywhere in the volume bounded by the four pylons. Powerful pulley motors allow the module to move at 25mph over the arena. One operator flies the module while another deals with pan, tilt, zoom and focus of the camera. TV signals are sent from camera to control room either by microwave link or by an optical fibre cable paid out under computer control.

US chases healthier office atmospheres

ILLNESS RELATED to indoor air pollution - a subject of growing interest to many office workers - is to be investigated in the US by the Battelle Institute. The institute's works will assist the Ohio Department of Health in defining hazards related to the office environment.

Battelle, an international technology research group, hopes to develop screening processes that will differentiate between illnesses that are due to indoor air pollution. Investigative epidemiological techniques will be used.

New methods are thought to be needed because there are, for example, products being introduced into indoor environments that could be producing toxic substances.

In addition, energy conservation measures in buildings have tended to reduce the air exchange rates, which in turn could be increasing human exposure to toxicity.

Battelle thinks existing methods of monitoring air for contaminants and comparing the results with occupational guidelines, are not sufficiently sensitive.

CONTACTS: POD: UK, 0427 3301, Number One Systems: UK, 0450 61778, Atlas Interlat: UK, 085 2355, Densitron Computers: 0522 72321, Skyworks: US, 0219 437 1100, Battelle: London office, 653 8124.

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UK COMPANY NEWS

Profits rise 20% as Reckitt seeks fresh purchases

BY CLAY HARRIS

Reckitt & Colman, household products, food and drugs group, yesterday signalled its intention to step up the pace of acquisitions this year after pushing pre-tax profits ahead by 20 per cent to £167.6m in 1987.

Sir Michael Colman, chairman, cited strong cash flow from the group's businesses as well as reduced net borrowing and said: "We are well placed to make further sizeable acquisitions if the opportunity arises."

Mr John St Lawrence, who is to take over as chief executive next month, said the group was looking at more possible targets than at any time in the past five years. Reckitt has already committed £54m for six acquisitions in 1988, more than three times the total spent in 1987.

The pace of the pre-tax advance from £139.5m in 1986 was nearly matched by an 18 per cent rise in earnings per share to 82.2p (37.85p). A recommended final dividend of 13.9p (11.75p) increases the total to £1.79 (18.5p) (18.50p). Trading profit showed a 17.7 per cent increase, and the group benefited from a reduction to £12.4m (£12.56m) in net interest payable.

Sales, profits and margins increased in the four main product areas: household and toiletry,

food, pharmaceutical and industrial pigments.

Profits fell in the other businesses, industrial cleaning and fine art and graphics. The former was sold at the end of 1987, and the latter's result was affected by a partial disposal.

The full-year inclusion of Durkee Famous Foods, bought late in 1986, consolidated North America's position as the second largest source of profits.

Excluding Latin America, changes in currency rates since 1986 reduced pre-tax profits by a net 58m. However, Reckitt's decision to concentrate debts in dollars and cash balances in sterling gave a £22.3m boost to the group's cash flow.

The dollar's decline also contributed to the reduction in net borrowing to £50.4m (£48.1m) by year-end.

Mr St Lawrence said that patient trials had begun of the group's patented combination of H2-antagonists and polymers, for the treatment of duodenal ulcers and other gastric conditions. Possible regulatory approval was still more than two years away.

As a leading manufacturer of soluble aspirin, Reckitt said it would benefit if studies suggesting the utility of aspirin in the prevention of heart attacks were confirmed.

See Lex

Scanro reveals deficit and launches rights issue

BY VANESSA HOULDER

Scanro, USM-quoted sports equipment manufacturer, yesterday announced a pre-tax loss of £241,453 for 1987 and a three-for-four rights issue at 90p a share.

It also revealed plans for the £1.5m acquisition of Sporting Structure, a tent supplier, which will be satisfied by the allotment of 1.57m new shares. The vendors will retain 800,000 shares and will receive £500,000 cash - raised by offering the balance of the shares to shareholders.

Net proceeds of the rights issue are expected to amount to £1.8m and will be applied in repaying loans and to provide additional

working capital.

This year's loss was incurred on turnover of £5.06m and compares with a pre-tax profit of £276,000 for 1986. There is no dividend for 1987 (2.5p).

Sherwood Computer

Pre-tax profits at Sherwood Computer Services, USM-quoted computer bureau and software house, advanced 79 per cent from £588,000 to £1.71m in 1987.

Turnover rose from £11.95m to £20m. Earnings were 24.1p (17.6p). The final is 3p (2.5p) making a total of 4.5p (3.76p).

Debrett's and Sterling announce a marriage

By Andrew Hill

WITH THE dignity of a duchess, Debrett's Peerage yesterday gave up a history of independence which began with the publication of the first comprehensive guide to the aristocracy in 1769.

Unabashed commerce was behind the deal, in which the Impish Sterling Publishing Group, publisher of trade, technical and management reviews, agreed to pay up to £15,500 in cash and shares for Debrett's, a private company.

Last year's figures showed a loss of £214,756 at the aristocratic publisher and a net deficiency of assets of £209,677.

The incongruity of this liaison between title and "trade" seemed to have escaped Mr Michael Summers, managing director of Sterling, quoted on the United Securities Market since 1985, and a mere stripping of a company at 10 years old.

After all, he explained, Sterling and Debrett's have had a joint venture for the past two years, successfully publishing top people's guides to New York and London, as well as Debrett's Interior Design Collection and Debrett's Ski Resorts of Europe. Debrett's is about to publish Distinguished People of Today, a rival to Who's Who.

Nonetheless, it takes a huge leap of imagination to envisage Debrett's Peerage - last published in 1985 at 285 - on the same shelf, let alone under the same ownership, as Automotive Technology International or Chief Financial Officer USA, two of Sterling's latest titles.

Mr Ian McCorquodale, son of novelist Miss Barbara Cartland and chairman of Debrett's since 1979, said the takeover would give the company the opportunity to merchandise its famous name, but not by putting it on tee-shirts and boxer shorts.

"If we did produce boxer shorts they would be silk, with coronets all over them," he joked.

"Debrett's will continue to stand for the right sort of behaviour, old-fashioned courtesy, excellent taste, good manners and all that distinguishes gentlemen and ladies from everyone else," he added.

Barclays times rights issue to its advantage

BY NIKKI TAIT

FORTUNE, it seems, still favours the brave.

Barclays launched the second largest rights issue ever seen on the UK equity market yesterday - and actually hit one of the stock market's better days.

With sentiment backed by the improvements on Wall Street and in Tokyo, news of the £212m cash call did little to dent the bullish sentiment. Although the FT-100 Share Index eased back in the afternoon from a peak of 1767, it still showed a gain on the day of 16 points at 1761 - a far cry from the dismal reaction to the £724m rights issue launched by NatWest in 1986. Will the market remain so pliable?

The Barclays issue comes after three months of virtual famine on the cash-raising front. Figures from the Bank of England show that in the first quarter of 1988 companies raised just £190m through this route. That compares with £470m in the same period a year earlier; £1.5m in the second quarter of 1987; and then £5.1m and £3.28m in the

third and fourth quarters respectively. In 1986 overall, then, the total rights issue figure rolled out at £10.4m, almost double 1985's £5.79m.

That substantial reduction in the first quarter of 1988 is simply a reflection of the dizzy market conditions. Despite the heavy overall tally, two separate waves of corporate cash-raising fall victim to sudden market plunges last year.

In the summer, the casualties began with the £218m WPP issue, and subsequently encompassed the likes of Traveler House, Blue Arrow and Thorn-EMI. The more dramatic October collapse came when fewer calls - aside from BP - were in the pipeline. Nevertheless, underwriting institutions were obliged to pick up more than £500m-worth of unwanted rights issue stock, on top of their BP commitments.

Since then, the problems of underwriting new paper at anything like a reasonable discount have deterred all but a handful of issuers. Only during the past few

weeks has a tentative return to the cash-raising trail got underway. Even so, most of the fundraising has involved relatively small amounts, although outstanding issues do include a \$54m call from Footall and a £163m tap from Lucas.

Barclays itself does not pretend that market conditions are ideal. "But it seemed unlikely there would be a better time," commented Mr John Quinton, the bank's chairman. "It may be that the market will improve - but who can say?"

Moreover, by taking the "deep discount" route, the clearer has effectively diminished its own risk. "There was a question of whether we could have got an issue of this size underwritten," said Mr Quinton - an understatement, say some analysts. By making a deep discount issue, the underwriting question is avoided and costs of about £22m saved.

Whether the Barclays issue will have a delayed depressant effect on the market, however, remains moot. There is no doubt

LARGEST UK RIGHTS ISSUES

Date	Company	Amount (£m)
Oct 1987	BP	1515
Apr 1988	Barclays	921
Aug 1987	Blue Arrow	837
May 1986	NatWest	724
Jul 1987	Midland	700
Jun 1987	BPCG	630
Jan 1987	BP	624
Apr 1985	Barclays	613
Apr 1988	Saatchi & Saatchi	400

that UK institutions - in particular the pension funds - are fairly flush with cash at present. By end-1987, cash was reckoned to account for 4.4 per cent of their assets - in round numbers, almost £20bn. That compares with an average figure of about 3 per cent at the previous five year-ends.

Moreover, cashflow is reckoned at about £6bn per quarter and with few major rival claims on that money at present, some analysts are confident that the Barclays issue will be smoothly if

not enthusiastically mopped up. Despite that, there are bearish voices. "The problem is that it's a hell of a lot of money to be asking for," said Mike Osborne of Kleinwort Grieverson, "and the institutions are still very worried about instability on the exchange markets."

The one comfort may be that no one expects much of a challenge from other corporate cash-raisers. Corporate liquidity is relatively high, and acquisition fever appears to have ebbed somewhat.

David Barchard analyses Barclays' strategy in its struggle to pull ahead of NatWest

How scale can fail to impress

"NUMBER ONE by '81" runs the slogan. Naturally it was not mentioned yesterday by Mr John Quinton, the chairman of Barclays, while explaining the thinking behind his bank's decision to make the largest ever rights issue in British banking history.

However Mr Quinton could not help placing the issue in historical perspective. "In the 1930s, we overtook Lloyds," he said. "In 1956, we overtook the Midland, but then in the middle-1960s, we paused for a while."

The implication seemed to be that, as one City bank analyst put it yesterday, Barclays is now "hell-bent" on a period of rapid growth aimed at pulling ahead of

NatWest, the largest of the UK clearers.

However, the show of ambition did not arouse much enthusiasm in observers, most of whom had been expecting Barclays to make a rights issue sooner or later this year, though on a less daunting scale.

After several relatively dull years, Barclays' UK business picked up rapidly in the second half of last year, its most profitable activity, UK lending, which a year ago was growing by only 10 per cent, accelerated sharply

in the second half and, as Mr Quinton explained yesterday, is currently scoring at an annual growth rate of more than 30 per cent.

Despite this, Barclays' 1987 results were unexceptional compared with its rival clearers. Domestic banking and credit card profits rose by a relatively meagre 36 per cent compared with 48 per cent at NatWest and 35 per cent at the Midland, while it had to make £712m in exceptional provisions against losses on Third World debt.

It ended the year with an equity-to-assets ratio of 4.8 per cent - the lowest of the clearers - with a conspicuously weak capital base for its strategy of capturing the lead from NatWest.

With the rights issue, Barclays will now be able to expand its balance sheet in the pursuit of greater profitability, without fear of hitting Bank of England capital constraints later this year.

"There is, however, a suspicion that it has done more than it needed," Mr Martin Cross, bank analyst at SG Warburg, said yesterday.

Barclays has not given any clear indication of how it intends to use the funds it is raising. However Mr Quinton suggested

that the bulk of the funds are likely to be spent on boosting Barclays' profits in the UK where it now has 71 per cent of its assets. Also he referred to the need to prepare for 1992 and the advent of a single European financial market, and spoke vaguely of growth in the US and Japan.

One apparently obvious course for Barclays would be to embark on a programme of major acquisitions at home and abroad. For several weeks there have been rumours that Barclays might be planning to make a bid for Irving Trust, the US bank. Its shares on the New York Stock Exchange rose sharply yesterday after Barclays' announcement.

However Mr Quinton said that the bank was planning "only modest acquisitions here and there, not substantial ones".

It looks therefore as if any acquisitions will probably be relatively unexciting affairs - a little more business in Spain or France, and perhaps some stock-broking activities in North America. The main thrust will apparently go on pursuing that extra business in the UK markets.

This style of balance sheet expansion aroused little enthusiasm among onlookers yesterday.

"If Barclays goes on expanding its balance sheet in this way, said Mr Cross, "its ratios will be back down among the rest of the pack by the end of the year."

Earnings on Barclays' shares will drop by about 15 per cent, and key indicators of its profitability, its return on assets and its return on equity could be expected to fall.

Such arguments cut little ice with Barclays which last year underwent a major internal shake-up in pursuit of greater efficiency and profitability. The number of top posts have been trimmed from 54 to 35, and business activities across the UK have been lifted off from traditional branches and are now handled by 800 business centres.

To beef up its marketing operations, Mr John Davies was recently recruited from Abbey Life as new personal sector marketing director. He has promised a marketing drive with a zeal previously unknown at the bank. This will obviously be helped by the extra resources made available by the rights issue.

Morale is high at the bank and its staff speak enthusiastically of its prospects in the coming clash for supremacy with NatWest. There could be no greater contrast between their attitudes and the scepticism of bank analysts who yesterday branded the rights issue as "unconvincing".

CAPITAL RATIOS OF LEADING BANKS

Bank	Equity/ratio
Barclays	
Before rights issue	4.8
After issue	5.9
NatWest	6.7
Lloyds	5.3
Midland	6.5
Standard Chartered	2.8
Average UK	5.4
US	3.8
Japan	2.4
Germany	3.5
France	2.1
Switzerland	6.1
Canada	5.1

*Ratio of two US subsidiaries expected to increase ratio to 2.8

Source: CICA Banking Analysts

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April 1988

Canadian group lifts stake in CASE

By Clare Pearson
CASE Group, the troubled Watford-based computer services company, was last night the subject of takeover speculation after Gandalf Technologies of Ontario, Canada, announced it had built up a 9.53 per cent stake.

CASE said yesterday it considered the increase in Gandalf's stake from 3.44m to 6.09m shares to be extremely unwelcome and urged shareholders to consider carefully before selling shares.

Gandalf, which is also in the computer services business, declined to comment on its intentions towards the company.

Difficulties with its US division led CASE to plunge into losses of £14.78m in 1985, although the deficit was cut to \$958,000 in the six months to September last year.

At yesterday's closing price of 80p, up 5p, CASE is capitalised at £51m. The market value of the smaller Gandalf Technologies stood at £97m (£39m) at the end of January.

Mustertin ahead

Mustertin Group, USM-quoted publisher and book packager, increased its 1987 profits by £183,000 to £703,000 pre-tax and continued to record firm advances in all sectors in the first quarter of 1988.

The 35 per cent improvement in profits was achieved on the back of a turnover 13 per cent higher at £7.98m. Earnings amounted to 3.65p (7.34p) per 20p share. A final dividend of 2p makes a sausage-again total of 5p.

BICC/Cable stake

BICC, the cables and construction group, has completed the second stage of its acquisition of Cable, the US cable company. Its interest has increased from 45 per cent to 80 per cent via a cash payment of \$41m (£22m).

Aran Energy

Aran Energy, oil and gas group, is listed on the London and Dublin stock exchanges and is not quoted as stated in last Thursday's FT.

Boots disposal

Boots, the High Street chemist, has agreed to sell Boots Hospital Products, based in Basingstoke, to The Kendall Company (UK), a subsidiary of Colgate Holdings (UK).

Rowntree to sell snack food business for £34m

BY CLAY HARRIS

Rowntree, the confectionery group, is to sell its UK snack foods business for £34m to Borden, Germany, and the Crane brand of potato crisps in the US.

The moves underline Borden's international ambitions in snack foods. It is already the second largest manufacturer of salted snacks both in the US and in the world, after PepsiCo, and the Nuschelberg purchase will add to its German market leadership in sweet baked snacks and specialty breads.

In the UK, it will inherit snack brands including Murphys, Rileys, Wheat Crunchies and Nik

which is also buying the Nuschelberg chain of retail bakeries in West Germany and the Crane brand of potato crisps in the US.

Rowntree announced its intention to leave the snacks market in January. Negotiations are still proceeding on the disposal of Tom's Foods, its much larger US subsidiary. Rowntree is being advised by Goldman Sachs.

Although fourth in UK snacks, snack ranks well behind the top three companies, Nabisco, United Biscuits and Dalgety, which account for more than 80 per cent of sales.

Naks. Borden is expected to introduce some of its international brands, such as Wise, into the UK distribution network.

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Although fourth in UK snacks, snack ranks well behind the top three companies, Nabisco, United Biscuits and Dalgety, which account for more than 80 per cent of sales.

L&M lifts earnings 30% to over £12m

By Nick Barker

London & Manchester Group, home service life insurer, raised after-tax earnings by 30 per cent to £12.14m for 1987 in spite of making a special £3.2m provision against claims arising from AIDS deaths.

Mr David Jubb, chief executive, said the AIDS provisions followed guidelines from an Institute of Actuaries working party.

The Exeter-based group's mortgage book grew 77 per cent to £372m and it is making new loans at a rate of £30m each month.

Estate agency profits from its 38 outlets more than tripled to a pre-tax £1.53m. Mortgage profits rose from £458,000 to £1.43m and life premiums grew 21 per cent to £178.5m.

The group has lifted its dividend 15.5 per cent to 8.65p per share. Earnings per share rose 23 per cent to 11.16p. The shares gained 10p to close last night at 270p.

comment

Takeover speculation made L&M one of the starkest life stocks in 1987, with pundits naming TSB and National Westminster Bank as interested parties. Even now the speculation has ebbed away, the share price is strong enough to leave it trading on a gross yield of only 4.2 per cent.

Yet the group does not appear too expensive. A hostile bid is unlikely to succeed, given that fellow insurer Sun Alliance is sitting on 10 per cent of the equity. But the shares will not doubt be bolstered soon by more-or-less inventive market gossip that a building society-turned-pledge will want a friendly deal for the sake of L&M's estate agencies and home service field force. It would be very unfair though to view the shares just as an arbitrage opportunity. Even on conservative growth assumptions, L&M can fund at least 15 per cent per annum dividend growth for the foreseeable future and the group's success with estate agency and mortgage lending demonstrates that it is managing well its transformation from an industrial life office into a broader financial services group.

Ibstock Johnsen doubles profit and looks for acquisitions

BY ANDREW HILL

Ibstock Johnsen, quality brick and pulp manufacturer, almost doubled pre-tax profits to £35.9m in the year to December 31, against £18.5m in 1986.

Interest payable was down from just over £3m to only £14,000, following the 1986 rights issue, but earnings per share still rose 58 per cent to 15.3p (9.68p).

Group turnover increased to £145m (£131m). Profit margins for brick sales in the US are historically lower than in the UK, but although sales there dropped slightly to £8.8m (£8.5m), trading profits for the US building products division rose 51 per cent to £7.7m (£5.06m), a 70 per cent increase in dollar terms.

UK sales were up to £79.6m (£94.4m) and trading profits in the UK building products division rose more than 50 per cent to £23.1m (£15m).

Forest products - mainly pulp

and timber - returned trading profits of £5.47m (£1.44m), helped by a contribution from its Portuguese subsidiary Eucalyptus Pulp Mills. In December, Ibstock finally acquired the whole of the company, and its controlling stake in the Caima pulp mills and forestry company, quoted in Lisbon.

Mr Peter Woodman, Ibstock's managing director, said the group was looking at acquisitions to expand its clay and concrete product range.

The company recommends a final dividend of 2.5p, making 4p (3p) for the year.

comment

An unusually mild winter has deprived UK brickmakers of the quiet months when the group's US operation which accounts for about 35 per cent of turnover.

Mr Peter Bain, chairman of Pineapple, said that the restructuring of the US operation was over and he was confident Wallace would return to profit in 1988.

Ibstock's quality facing bricks. If the company can avoid alienating its customers by keeping them waiting, then it should squeeze UK margins even further. In the US, margins are lower but hopes are high for decorative concrete and clay paving products. Perhaps the City's only worry is Ibstock's possible over-exposure to the cyclical pulp market. The group stands out as the UK's last independent quality brickmaker, delivering more than 750m bricks world-wide last year. As such it could be a bid target, and at the moment, there seems to be nothing in the share price - unchanged at 175p yesterday - to suggest this. Forecast pre-tax profits this year of some £50m put the shares on a prospective multiple of about 10, a premium to the market, but worth hanging on to if you are comparatively low dividend yield.

Cray bids £22m for Marcol

BY PHILIP COGGAN

Cray Electronics, defence and telecommunications contractor, is making a recommended £22m offer for Marcol, a software house which joined the Unlisted Securities Market just seven months ago.

The deal represents the largest acquisition yet made by Cray which last July reported its tenth successive year of earnings growth. Pre-tax profits for the year to May 2 1987 amounted to £9.26m.

Cray is offering seven of its ordinary shares for every ten Marcol with a cash alternative of

140p per share. It has already received irrevocable undertakings to accept the offer in respect of 41 per cent of the Marcol equity.

The paper element of the bid values each Marcol share at 150p and represents a hefty premium over Wednesday's closing price of 89p. Marcol's shares fell 50p to 141p yesterday. Based on last year's earnings per share of 4.9p, the exit p/e is just under 32.

Mr Bernard Collins, Cray's chairman, said he thought the offer was pitched at "a fair price". The company had been

seeking to acquire a suitable software capability for some years and the acquisition of Marcol would strengthen its competitive position in the defence and communications fields. He did not expect any dilution in Cray's earnings this year. Cray's shares fell 11p to 212p.

Marcol joined the USM last September via a placing which valued the group at £16m. The company was founded by Dr John Riggs and specialises in aerospace and avionics. Its pre-tax profits in 1987 were £1.04m.

Throgmorton bid 'to end uncertainty'

BY NICKI TAIT

Throgmorton Trust, the £320m investment trust which is bidding for its managers' parent unit trust and fund management group, Framlington, yesterday posted its formal offer document, claiming that the takeover represents "firm action to end growing uncertainty" over Framlington's future.

This highly unusual bid situation has arisen from a clash in management styles in the wake of Framlington's acquisition of Throgmorton Investment Management in 1986. Throgmorton is the largest of the five trusts managed by TIMS, and its offer is not being recommended by the Framlington board.

In the document Throgmorton says it learned last summer that

Credit Commercial de France, a 28.8 per cent shareholder in Framlington, wanted to dispose of its holding. Its proposal to buy this stake was rebuffed, claims the document, as was a proposal that it might make an offer for all Framlington's equity.

"Subsequently, Phoenix Securities (a Morgan Grenfell subsidiary) proposed to Throgmorton that the Framlington Group should be sold to a third party and that a separate buyer should be found for TIMS," says the document. "In Throgmorton's view, this proposal was not in the best interests of shareholders, employees or clients."

The trust maintains that the subsequent investigation of this possibility was proceeding at "a

statey pace" and that the accompanying rumour and speculation cast "a pall of uncertainty" over Framlington's future.

The trust also adds that "in event of control of Framlington being acquired by a third party, the board of Throgmorton would need to consider whether to terminate its management contract."

Framlington yesterday countered by claiming that the trust itself was responsible for much of the uncertainty, and posed the only threat to the company's independence. Framlington declined to elaborate on the state of its talks with "interested parties" but Mr Bill Stuttford, chairman, added "There's enough interest to go on talking".

Tottenham buys ticket for diversification

BY PHILIP COGGAN

Tottenham Hotspur, the only football league club with a stock market quote, has made another acquisition as part of its strategy of diversification from its soccer roots.

It is buying a 75 per cent stake in Synchro Systems, a computer software company specialising in

providing ticketing systems to sports stadia, including Spurs' own ground at White Hart Lane.

The initial consideration will be 104,000 Tottenham shares which based on yesterday's closing price of 114p values the stake at £119,000. The club has an option to acquire the remaining 25 per cent of Synchro's equity.

Druck ahead to £1.13m

Druck Holdings, USM-quoted manufacturer of electronic pressure measuring devices, has reported a 4 per cent rise in pre-tax profits from £1.08m to £1.13m.

Turnover was up 8 per cent from £5.65m to £6.1m. An increased interim dividend of 2.2p (2p) is declared on earnings per 5p share of 10.7p (10p).

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corresponding div, Total for year, Total last year. Includes AMEC, Ash & Lacy, AS Ports, Baird (William), Burmah Oil, Clinalcain, Druck, Empire Stores, Ibstock Johnsen, Kwort Sterling, Land & Mchester, Lec, Metsec 9, Mustertin 9, Queens Mast, Reckitt & Colman, Sherwood Comp, Soton IOW Stearn, Travis & Arnold, Wayne Kerr 9.

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market. **The interim comparison in last Saturday's Results. Due table was incorrect. ††Gross throughout. †††British currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Board. Meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's financials.

Public Works Loan Board rates

Table showing Public Works Loan Board rates by EIPY, Alt, and maturity. Includes rates for 1 year, 2 years, 3 years, 4 years, 5 years, 6 years, 7 years, 8 years, 9 years, 10 years, 15 years, 25 years.

Standard Chartered Standard Chartered PLC US\$400,000,000 Undated Primary Capital Floating Rate Notes. In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 8th April, 1988 to 9th May, 1988 the Notes will carry interest at the rate of 7.375 per cent per annum. Interest accrued to 9th May 1988 and payable on 8th July 1988 will amount to US\$63.51 per US\$10,000 Note and US\$635.07 per US\$100,000 Note.

Alexandra Summary of Results for the 52 weeks ended 30th January 1988. 1988 1987 Increase. SALES 40,700 33,000 +23%. PROFIT BEFORE TAX 5,100 3,800 +32%. EARNINGS PER SHARE 10.0p 7.9p +27%. DIVIDEND PER SHARE (NET) 3.2p 2.55p +24%. Commenting, Chairman Granville Davis said: * Another very good year - pre-tax profits up by 32% to £5.1m. * Proposed final dividend of 2.1p net - total for year 3.2p. * Production has steadily expanded to meet the increased sales demand. * We can look forward to another excellent year.

1987 RESULTS. Pre-tax profits up 23% to £16.53 million. Profit after tax up 30% to £12.76 million. Earnings per share up 25% to 17.01p per share. Forecast 1988 dividend not less than 6.5p per share. 8 months to 31st December vs Year ended 31st December. Profit before taxation 1,956 vs 9,187 vs 13,392 vs 16,526. Profit after taxation 1,061 vs 5,876 vs 9,796 vs 12,756. Earnings per share 1.77p vs 9.40p vs 13.60p vs 17.01p. Shareholders' funds 25,679 vs 29,554 vs 65,920 vs 73,935*. Total Assets 85,242 vs 172,757 vs 376,207 vs 390,584. * Following the February 1988 offer for sale, the pro-forma shareholders funds are £112.2 million. Chief Executive, Jack Wilson said, "The company's profitability during the first three months of this year has already shown a satisfactory improvement compared with the same period in 1987 and we look forward to the future with confidence as the new capital becomes fully effective within the business during the current year". Financial data for the years to December 31, 1987 have been abridged from the full Group accounts for the relevant periods. The 1987 accounts, which received an auditor's report without qualification, have not yet been delivered to the Registrar of Companies. The Annual Report will be published and sent to all shareholders by the end of April. LONDON FORFAITING COMPANY PLC International House, 1 St. Katharine's Way, London E1 9UN. Telephone: 01-481 3410 Telex: 8812606 Cables: LONFOR Facsimile Number: 01-480 7626

UK COMPANY NEWS

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Dealings in the existing ordinary shares of Systems Designers plc were suspended on 27th January 1988 pending completion of the acquisition of the Scicon Group. Application has been made to The Council of The Stock Exchange for the existing ordinary shares, the new ordinary shares, the convertible preference shares, and the warrants to be admitted to the Official List.



SYSTEMS DESIGNERS PLC

(Incorporated in England under the Companies Acts 1948 to 1967 No. 1642767)

To be renamed SD-Scicon plc

Acquisition of the Scicon Group and introduction

Sponsored by: Samuel Montagu & Co. Limited

Brokers to the introduction: James Capel & Co.

Share Capital

The following table shows the authorised share capital of Systems Designers and its issued share capital, as it is at present and as it will be immediately following implementation of the rights issues and bonus issue of warrants

Table with columns: Authorised £, Issued and fully paid Present £, Proposed £. Rows include Ordinary shares, Convertible preference shares, Warrants.

Copies of the Listing Particulars relating to Systems Designers plc may be obtained during business hours (Saturdays and public holidays excepted) up to and including 11th April, 1988 from the Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2 and up to and including 11th May 1988 from:

Table with columns: Systems Designers plc, Samuel Montagu & Co. Limited, James Capel & Co. Includes addresses for each.

In addition, particulars relating to Systems Designers plc will also be available in the statistical service of Extel Financial Limited, following completion of the acquisition which is expected to take place on 19th April, 1988.

8th April, 1988

Castrol continues to oil engine of Burmah growth

BY STEVEN BUTLER

Burmah Oil last year recorded further strong sales growth of its Castrol brand of lubricants and yesterday reported a 31 per cent rise in after-tax profits to £73.5m.

The figures were above market expectations and the company's shares rose 13p to close at £13p.

The core of the improved results was a further 10 per cent growth in the volume of lubricant sales, and Mr John Maltby, chairman, said sales were continuing to grow strongly in the current year.

Trading profits from lubricants and fuels came to £106.1m, up from £93.1m. This included a 26 per cent increase in profits from the fuels businesses to £3.7m, resulting from Burmah's continuing expansion into petrol retailing.

Mr Maltby said the current year's results would be boosted by the recent acquisition of the ICI petrol retailing business and further expansion was envisaged.

The better-than-expected 1987 figures were due partly to a lower tax charge at 45 per cent - Mr

Maltby said the tax rate was expected to remain in the low forties. The relatively high tax charge comes from high rates in many countries where Burmah operates, as well as an underweighting of UK profits.

Profits were badly affected by currency movements. Ead earnings been translated at 1986 exchange rates net profits would have been up by 50 per cent.

Turnover for the year declined from £1.3bn to £1.2bn, reflecting the disposal of several businesses. In specialty chemicals, an area Burmah has marked for further investment, operating profits grew from £11.7m to £15.6m.

The shipping business reported profits of £13.1m (£12m), while profits owing to Burmah's 25 per cent stake in Premier Consolidated Oil were up from £5.5m to £8.6m.

Burmah wrote off £30m from the balance sheet for goodwill, and net shareholders' funds fell from £457.7m to £376.4m. This contributed to a rise in net gearing from 3 per cent to 15 per cent.

Mr Maltby said that £50m to £75m had been earmarked for possible acquisitions.

Earnings per share rose from 33.54p to 41.51p, and the full year dividend is being increased from 14p to 16.5p via a final of 10.5p.

comment

Burmah Oil has shown for yet another year what a bit of marketing flair can do in an industry that traditionally has not shown much, and although there must be a limit to how much Burmah can increase sales in a static market, it does not yet seem to be in sight. While growth in volume looks safe, 1988 results depend heavily on just where sterling ends the year. If currency markets should surprise everyone and remain stable Burmah should be able to finish with about £80m in after tax profits. That puts the shares on a prospective p/e ratio of 11, which is not overly demanding for a growing company that has a golden international brand in Castrol.

William Baird up to £25.7m at year-end

BY ALICE RAWSTHORN

William Baird, the textiles and engineering group, yesterday announced a 38 per cent increase in pre-tax profits to £25.7m for 1987 on turnover which rose by 15 per cent to £220.5m.

Mr Donald Farr, chairman, said that both divisions had performed well throughout the year ensuring that 1987 was the sixth successive year of profits growth.

The group gained £1.4m (£481,000) in investment income. It paid £1.3m (£2.1m) in interest and £3.1m (£5.5m) in taxation. Earnings per share rose to 44.1p (£2.2p). The board has proposed a final dividend of 8p making 12.9p (£1.1p) for the full year. It also plans to split its 100p shares into two of 50p in order to improve their marketability.

In textiles, turnover increased to £204.2m (£177.2m) and operating profits to £15.7m (£13.6m). Mr Farr said that so far the company had been unaffected by adverse currency movements, which have accelerated the flow of imported textiles and clothing into Britain. Baird could counter adverse currencies through its sourcing and manufacturing activities in the Far East.

About a third of the growth in sales came from recent acquisitions, including the first full trading year of Lonsdale and Hobbins. Mr Farr said that the group envisaged further strategic acquisitions within textiles this year.

The Darchem engineering division saw turnover rise to £26.3m (£25.6m) and operating profits to £9.5m (£8.5m). Mr Farr said that the profits contribution from Darchem's nuclear insulation con-

tracts had peaked in 1987. Nevertheless, he said that the group hoped to maintain the level of profits - albeit at a slower growth rate - with new projects such as the development of composite materials.

Mr Farr said that the pace of trading across both areas of the business was healthy and that the "outlook for the group continues to be promising".

comment

For years Baird has been dismissed as a worthy, but dull, member of the textile sector. It lacks the proud history of Courtaulds, the prestigious names of Dawson, the colourful story of Coats Viscosa. Yet in the more cautious climate since Black Monday, Baird's worth has been recognised. Its shares have outperformed steadily since the start of the year. Yesterday, when this set of results showed how well the company has coped with the difficult trading environment, its shares surged by 38p to 485p. The outlook for the British clothing industry is far from bleak. But Baird is not exposed to the weaker areas like knitwear and can balance its British interests with Far Eastern sourcing. The company is (characteristically) cautious in warning that its nuclear profits have peaked. Yet Darchem is now so broadly based that the slowdown in profits growth should not be too daunting. The City expects profits of £20m this year, leaving the shares on a prospective p/e of 9.4. Undemanding.

Travis & Arnold surges 46%

BY CLARE PEARSON

Travis & Arnold, builders' merchant, lifted pre-tax profits by 46 per cent to £17.6m in 1987, while earnings per share rose by nearly 50 per cent from 22.2p to 33.9p.

Mr Tony Travis, chairman, said demand for building materials continued to increase steadily and improving productivity led to an improvement in trading margins from 6.4 to 7.7 per cent.

Travis achieved an operating profit of £14.9m on turnover up 10.6 per cent to £193m.

The directors are recommend-

ing a final dividend of 5.21p, making 6.5p for the year (5.2p).

comment

Well-managed Travis & Arnold has an untrammelled record in terms of dividend increase through fair times and foul in the notoriously cyclical building sector. Mr Travis is ever-cautious, but even he admits business is buoyant at present. Moreover, there is still plenty of scope for expansion of demand along the so-called Milky Way London commuting line through Northamp-

tonshire and Leicestershire, where much of Travis' business is based. The company is now well-equipped to make an acquisition and/or develop new sites, especially as Kennedy's has now been licked into shape. But Mr Travis sees targets as rather pricey at the moment and says current relocations and improvements are sufficient to keep management busy. Travis should maintain its share price this year, which after a 35 per cent tax charge, puts the shares on a prospective p/e of just over 9. This is at the top end of ratings in the merchandising sub-sector.

Another hard year at KCA

By Steven Butler

ANOTHER difficult year for KCA Drilling, the oil services company, saw turnover decline from £30.2m to £24.7m. Profits at the operating level also declined from £5.3m to £3.4m, although pre-tax profits increased from £2m to £3.4m.

The difference is accounted for by a £2.4m share of a partnership loss in 1986.

Mr Paul Bews, finance director, said that the company, which was hit badly by the decline in North Sea drilling activity, was now on a more stable basis. The business was not expected to improve substantially, however, in the absence of a sustained increase in oil prices.

The company has also been hurt by the weakness of the dollar against sterling.

There will be no 1987 dividend because of a deficit in distributable reserves. However, the plan to reduce capital and cancel deferred shares was approved by shareholders and confirmed by the courts, leaving KCA in a position to pay dividends on future profits.

The main activities are now long-term drilling contracts aboard production platforms. The KCA Kingfisher, a drillship, has been sold, and its jack-up rig, the KCA Sandpiper is on long-term contract. KCA is thus not in a position to benefit directly from the recent upsurge in North Sea drilling activity.

Mr Bews said cash flow was now strong and the company did not have difficulty servicing its debts. Net gearing came to about 200 per cent, including lease financing of assets under long-term contract, or about 90 per cent excluding these leases.

Metsec lifted to over £2m

The buoyant market for its products in the building, construction and general manufacturing industries helped Metsec boost taxable profits by 79 per cent from £1.13m to £2.02m for 1987. This was achieved on turnover up 68 per cent from £17.12m to £28.77m.

Mr Keith Hirst, chairman and managing director of the USM-quoted structural components designer and manufacturer, said that all areas of the business had performed well. The directors proposed a final dividend of 1.6p (1.3p) making a total of 3.2p (2.6p). Earnings per 10p share came out at 10.20p (5.75p).

The acquisition in October of the Thomas Vale Group had little effect on Metsec's results, said Mr Hirst, but together with the joint exploitation of the Mettrams building package, prospects for 1988 looked promising. Further acquisitions would be sought to extend Metsec's manufacturing base.

Acquisitive Queens Moat advances 66% to £24.8m

BY CLAY HARRIS

Queens Moat Houses, provincial hotels group, increased pre-tax profits by 66 per cent to £24.8m in 1987, the year in which acquisition made it the largest UK-based hotel owner and operator in continental Europe.

The 24 Globana and Crest European hotels, for which Queens Moat paid £148m in August, contributed less than 7 per cent of total profit in the 10 weeks they were part of the group. However, the proportion may rise to as high as 25 per cent in 1988.

Mr John Bairdow, chairman, said yesterday that Queens Moat was willing to consider buying a second London hotel, of up to 200 rooms, if one could be bought at the right price. Its 120-room Drury Lane could no longer satisfy London booking requests by guests in the group's provincial hotels.

This would not signal a shift away from concentration on business travellers or from shunning the tourism-sensitive London market, he said. Queens Moat still thought that prices demanded for London properties were far too high.

By year-end, continental hotels, including the previously acquired Bilderberg chain in the Netherlands, accounted for nearly 48 per cent of the group's 12,524 rooms. The UK properties, however, are considerably more profitable.

The pre-tax advance from £14.9m was achieved on turnover of £156.5m (£100.9m). Interest payable rose to £8.76m (£6.87m), although the company received only a few months' benefit from

an £83m rights issue. The tax charge was £4.56m (£2.65m). Net assets per share rose to 106p (78p) as a result of the annual property revaluation which showed a surplus of £75m to raise the total to £660m.

Earnings per share rose by 35 per cent, just over half the rate of pre-tax growth, to 5.9p (4.37p). Fully diluted earnings were 5.59p (4.12p). A recommended final dividend of 1p (0.85p) raises the total to 1.9p (1.6p).

comment

Queens Moat's relative immunity to currency fluctuations leaves the operations side no excuse for failing to perform. Its £300m multi-option facility allowed a precise matching of continental assets and borrowings and elimination of all sterling borrowing apart from a £30m mortgage debenture. In 1987, lower interest rates in the D-Mark zone more than offset the effect of sterling's strength on translated profits. In the same way, a weakening of the pound would also be likely to be accompanied by an eroding of the interest rate advantage. This year, piecemeal acquisitions are likely to fill a few gaps, but the main challenge is to improve returns from continental properties. One possibility is to try incentive management, which covers 48 per cent of UK rooms and gives the parent group a guaranteed return from the beginning of each year. If the overall tax charge can be kept down to 20 per cent, pre-tax profits of £41m would put the shares on a prospective fully diluted p/e of 12.3.

Lec advances by 76%

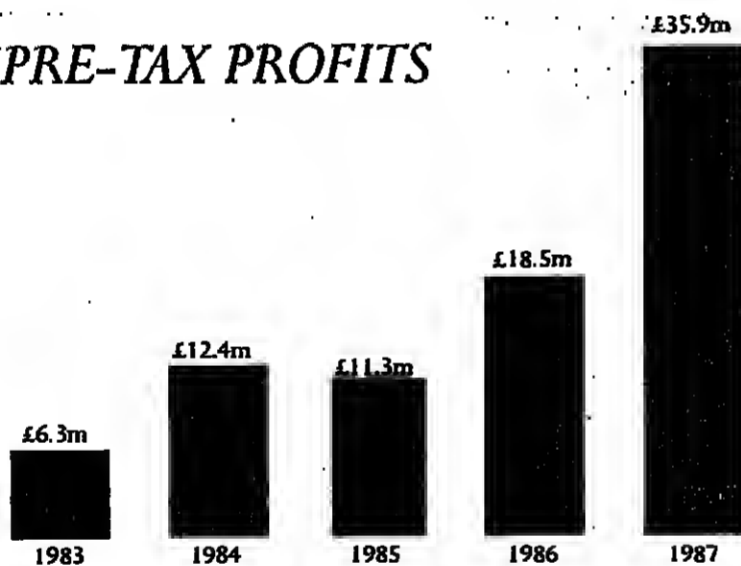
NEW RANGES and restructured pricing and marketing policies helped Lec Redesigners increase pre-tax profits for 1987 by 76 per cent.

On turnover up 16 per cent at £26.23m (£22.54m) profits were

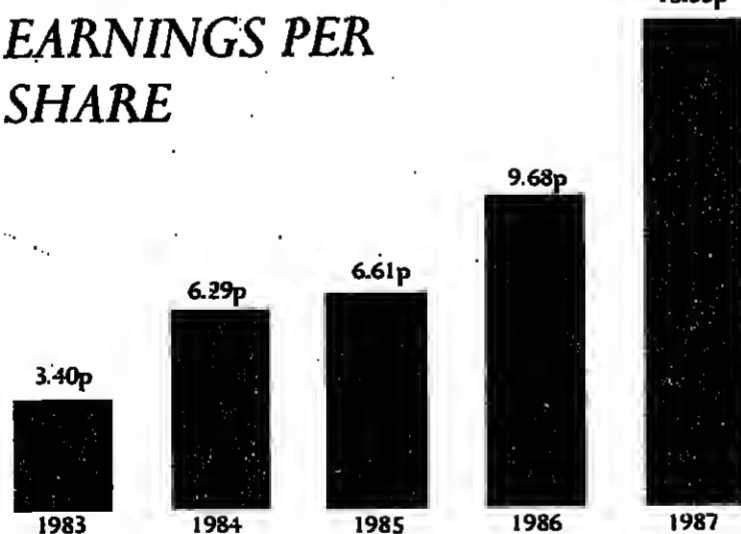
£3.49m (£1.99m). Earnings per share came out at 36.06p (21.02p), after tax of £1.31m (£718,000). And the directors are recommending an increased final dividend of 9.5p (8.5p) for a total of 13.5p (12.5p).

IBSTOCK JOHNSEN 1987 RESULTS

PRE-TAX PROFITS



EARNINGS PER SHARE



Pre-tax profits up 93%. Earnings per share show 58% increase. Dividends increased by 33.3%.

"This is an outstanding achievement with all divisions producing record profits. The Forest Products Division is now a major contributor expanded by recent acquisitions. Our prospects for 1988 are good."

Peter Woodman, Managing Director



IBSTOCK JOHNSEN P.L.C.

Lutterworth House, Lutterworth, Leicestershire LE17 4PS. Telephone: (04555) 3071.



ORIFLAME INTERNATIONAL SA NOTICE OF GENERAL MEETING

Société Anonyme

Head Office: 3 Avenue Pasteur 2311 Luxembourg B8835 R.C. Luxembourg B8835

A General Meeting of Oriflame International SA will be held at 3 Avenue Pasteur, 2311 Luxembourg on 26th April, 1988 at 10 a.m. in order to transact the following business:

- 1. Approval of the sale by Oriflame U.K. Holdings Limited ("Holdings") to Exactcut Limited ("Exactcut") of all of the issued share capital of The Goldsmiths Group Limited ("Goldsmiths") upon the terms and subject to the conditions of an agreement dated 21st March, 1988 between the Company Holdings, Exactcut and Goldsmiths and authorisation of the Directors to waive, amend, vary or extend any of such terms and conditions as they think necessary or desirable.

Copies of a Circular to the Company's shareholders which sets out details of the transaction, the form of the resolution to be proposed at the General Meeting and the arrangements for voting are available from Morgan Grenfell & Co. Limited, New Issues Department, 72 London Wall, London EC2M 5NL and Banque Indosuez Luxembourg SA, 39 Allée Scheffer, 2520 Luxembourg.

The Board of Directors Jonas de Jochnick Luxembourg 31st March, 1988

UK COMPANY NEWS

AB Ports up 46% despite rise in severance costs

BY VANESSA HOULDER

Associated British Ports, port operator and property developer, yesterday announced a 46 per cent increase in pre-tax profits to £38.1m for 1987. Earnings per share increased from 22.4p to 29.9p.

The contribution from property activities, before tax and interest, exactly equalled that from the port operations at £19.3m. Profits from port operations, down from the 1986 result of £20.8m, were cut by severance costs of 26m (£3.7m), reflecting a reduction in staff levels from 6,252 to 5,808.

Sir Keith Stuart, chairman, said the year had been highly successful, with continued growth in the port operating sector of the business and a dramatic increase in the contribution from property development.

He added that although the current year had started well it would be unrealistic to expect last year's rate of profit increase to be repeated. Sir Keith pointed out, however, that there were good prospects of a further useful improvement in the overall financial performance during 1988.

The increase in property related income stemmed from greater activity following the acquisition of Grovenor Square Property Group early in 1987.

Turnover for the year was £196.7m.

A proposed final dividend of 5p makes a total of 7.5p per share, up from 6p in 1986.

Comment

ABP claims, with reason, to be the most changed of all the privatisation stocks. Property activities - mostly out of bounds when the company was in public ownership - now account for half the company's profits. This expansion of the property side looks set to continue as the expertise of Grovenor Square Properties is brought to bear on ABP's 3,000 acres of surplus port land. Elsewhere, the more mature ports should edge ahead, helped by the prospect of reduced severance costs, although sensitivity to the trade cycle remains undiminished. Assuming ABP achieves profits of £45m next year, its shares - down 9p to 519p - are on a prospective p/e of 15. On a trading basis that looks expensive but it may be justified on an asset basis, if this year's land revaluation lives up to hopes.

Ash & Lacy expands by 25% to over £4m

Ash & Lacy, West Midlands-based manufacturer of perforated metal, steel cladding and galvaniser, extended the growth shown at the interim stage and lifted pre-tax profits by 25 per cent to £4.09m in the year to January 1 1988.

Turnover for the period rose from £33.33m to £40.01m. Operating profits of £3.68m (£2.97m) were arrived at after sales costs of £3.66m (£3.45m), distribution costs of £2.44m (£2.7m) and administrative expenses of £3.12m (£2.31m).

The Joseph Ash galvanising operation returned increased profits from its principal plants at Birmingham, Telford and London, while Western Galvanisers also returned a good profit, according to Mr Vernon.

Increased sales and profits were also reported by Ash & Lacy Perforators.

Huralra, the composite cladding joint venture with Huralra Oy of Finland, was now beginning to penetrate the market and had secured a number of worthwhile contracts.

The directors propose a final dividend of 18p, making 30p (24p) for the year, from earnings per share of 65.6p (46.9p).

Alice Rawsthorn on Coloroll's agreed £215m bid for John Crowther Carpeting a furnishing force

THE IRONY is unmistakable. The John Crowther Group, one of the most acquisitive companies on the stock market over the past two years, has fallen victim to a takeover bid.

Coloroll, the home furnishings concern which has been almost as acquisitive as Crowther, yesterday announced that it had reached agreement to buy Crowther for £215.5m.

The proposed takeover angers Coloroll's role as a formidable force in the home furnishings field. It also brings to a dramatic conclusion the story of Crowther's metamorphosis from an unassuming Yorkshire woolen mill to one of the biggest textile businesses in Britain.

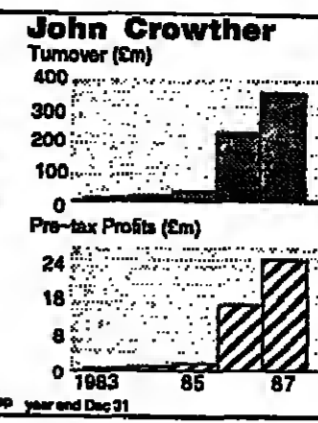
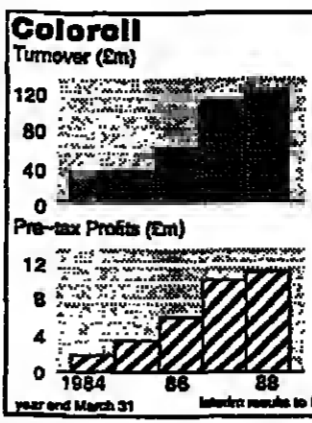
Crowther traces its origins to the Yorkshire of the mid-1800s when the John Crowther mill opened near Huddersfield. But the story of the latterday Crowther starts in 1961 when Mr Trevor Barker, a Yorkshire accountant, took over the chair from Mr Joe Hyman, a legendary figure in the textile industry who had tried and failed to revive the mill in the 1950s.

Mr Barker restored the mill to profit and then looked for opportunities to build up a more substantial business within textiles. In 1965 he joined forces with Mr Michael Abrahams, a well-known City figure with a colourful career in the carpets field.

Together they merged Carpets International and Weavercraft, thereby creating the second largest carpet manufacturer in Britain. This was the first of a flurry of acquisitions.

Between the beginning of 1986 and the summer of 1987, Crowther brought more than a dozen businesses. The group emerged with significant interests in carpets and clothing, investments as far afield as the US and Australia, and the original Yorkshire woolen mill. Last year it made pre-tax profits of £26m on turnover of £358m.

The problem was that



John Ashcroft - further rationalisation inevitable

Crowther had moved too quickly. The City was taken aback by the breathless pace of acquisitions, and by the intricate deals which Mr Barker delighted in devising. Moreover investors' enthusiasm was exhausted by the seemingly endless flow of new shares.

Crowther also encountered serious problems in its attempts to turn round some of the businesses. It could rely on impressive profits from its distribution companies, but neither carpet nor clothing manufacturing achieved acceptable growth.

In the bull market, when the City was susceptible to growth stories, Crowther's shares had fared well. But even before Black Monday its popularity had faded.

Mr John Ashcroft, Coloroll chairman, identified Crowther as a possible takeover target last summer. Six weeks ago, when Crowther's shares were trading at almost half their level before Black Monday, he met Mr Barker for dinner to discuss the possibility of a bid.

Coloroll, like Crowther, had been active in the bull market. But it had the advantage of a more substantial base in its core market, wallpapers, and had been more successful at managing its acquisitions.

The Coloroll name dates back to the 1920s when it imported

rolls of coloured paper. By 1978, when Mr Ashcroft arrived, it made 3 per cent of the wallpaper sold in Britain and owned a small plastic bag company.

By dint of bringing marketing and design into the dowdy world of wallcoverings, Coloroll now claims 30 per cent of the market. It has also moved into wallcoverings in the US, and into furnishings, ceramics, glassware and carpets in the UK.

The Coloroll philosophy - a blend of business school text book and slapstick slogans like "Don't picnic in the jungle" and "No fat cats" - is to strengthen its presence within the home furnishings field in the US and the UK through a formula of tight financial controls and imaginative marketing.

It has demonstrated a willingness to invest in its businesses - capital expenditure totalled £21m last year - but has also shown its ruthlessness. Unwanted businesses are sold and within a few days of its takeover of Fogarty bedwear, 13 of the 14 senior executives had left.

Coloroll has already formulated plans for Crowther. It will retain carpet manufacturing, to add to Wallbridge, the small company it bought last year. It will also keep the carpet distribution businesses in the UK and the US

and Crowther's interests in Australia.

Mr Barker and Mr Abrahams will leave. The only remaining main board director will be Mr Graham Waldron, who will run carpet distribution.

The big challenge confronting Coloroll is whether it can succeed where Crowther failed in revitalising its huge carpet manufacturing interests. Mr Ashcroft says that its strategy will be finalised over the next few weeks. But further rationalisation seems inevitable.

Ms Rosemary Banyard, textiles analyst at the James Capel stock-broking house, is cautiously confident that Coloroll will be able to rejuvenate the business, but she is concerned about the impact of the carpet companies on the quality of Coloroll's earnings.

The rest of Crowther will be sold. Coloroll hopes to realise up to £100m, which will be used to reduce borrowings and to finance its expansion into new areas like ceramic tiles and lighting.

Even before the ink had dried on the merger papers, it had already received an offer to buy both the clothing companies and the original woolen mill.

Housing growth lifts AMEC

BY PHILIP COGGAN

A BUOYANT performance from Fairclough Homes helped AMEC, the construction group, increase 1987 pre-tax profits by 13 per cent to £34.5m.

Fairclough completed 1,000 units, with an average price of £50,000, well ahead of forecasts. It hopes to double completions this year.

Despite the fact that AMEC Properties completed no major developments during the year, Fairclough Homes' strong performance boosted profits in the property development and housing division from £5.5m to £8.6m.

The other two divisions were less impressive. Although Fairclough Building increased turnover by 30 per cent, Fairclough Civil Engineering suffered from a dull first half because of the cost

of starting up new contracts. Profits in this division rose just 5 per cent to £18.2m (£17.2m).

Profits in the mechanical and electrical engineering division fell slightly to £7.7m (£7.8m).

Mr Bill Morgan retires as chairman on May 19. Mr Alan Cockshaw, current chief executive, will become executive chairman and Mr John Bateson will move from deputy to chief executive.

Pre-tax profits of £34.5m (£30.5m) were earned on turnover of £794m (£711m). After tax of £12.5m (£11m) earnings per share were 24.5p (23p). A final dividend of 8.25p (7.5p) is proposed, making a total of 13p (12p).

Comment

It was not so much these figures - although they were per-

fectly respectable - that caused AMEC's share price to jump 12p to 870p. What attracted the analysts, causing them to mark price forecasts up from £40m to £45-£46m, was the prospect of another excellent year for Fairclough Homes plus a series of development completions from the property division. Already the company has sold the Harbour Exchange development in London's Docklands for £26m. AMEC seems to have shaken off a sluggish three-year period in which earnings per share grew by just 7.5 per cent. Although the yield is not far short of 5 per cent, AMEC now has a chance of becoming a growth stock. And on the analysts' revised forecasts, the prospective p/e of 8 does not look demanding.

Wayne Kerr

On turnover just ahead from £11.54m to £11.57m pre-tax profits at Wayne Kerr, DSM-quoted maker of micro-processor based equipment, jumped by 47 per cent in 1987, from £553,000 to £814,000.

A final 1.2p (1.1p) dividend is proposed for a total of 1.2p (1.7p). Earnings worked through at 5.5p (2.5p).

Empire Stores falls to £7.87m

BY ANDREW HILL

PROFITS at Empire Stores (Bradford), mail-order retailer, fell to £7.87m before tax for the year to January 30, compared with £8.85m last time.

Turnover increased to £189m (£178m), but operating profits dropped 22 per cent to £6.66m (£8.62m). Earnings per share fell from 14.5p to 12.81p.

Half-time profits were down from £2.5m to £1.04m, but Mr John Gratwick, chairman, admitted that the full-year figures were rather more disappointing.

Despite this, the board is recommending an increased final dividend of 3.75p, making 5.25p (4.75p) for the year.

The taxable profits were enhanced by exceptional gains of

£4.02m from provisions on surplus commissions. Empire is changing its year-end to April 30 to avoid such confusion and to reduce the pressure during the busy Christmas period.

The group will report again in January 1988 for the nine-month period to November 12.

Comment

Empire, the smallest of the big five mail-order companies, is in danger of pre-empting its own decline and fall. The company was badly hit in the first half by the failure of its "special offers", but the new management seems to now be concentrating on marketing the core range of cheap clothes, while competitors'

catalogues pioneer more exciting ideas. Major shareholders include Great Universal Stores, the UK's largest mail-order company (12.3 per cent), and Dutch and German retailers, which together hold 45 per cent. They will probably give the new team a chance to turn Empire round. However, the company is still too small and its balance sheet too weak to take advantage of economies of scale and one senses only a larger group could fully exploit Empire's potential. Pre-tax profits should top 26m in the 15-month period to the new year-end. On a prospective multiple of about 37, the shares unchanged at 214p yesterday - look pretty expensive.

Filofax buys pen maker

BY CLAY HARRIS

Filofax, USM-quoted distributor of loose-leaf personal organisers, is to buy Yard-O-Led, a manufacturer of solid silver and gold ball-point pens and ballpoint pencils.

The acquisition is Filofax's first since coming to market last April. The purchase price, mostly cash, but with a share element, was not disclosed. The company is being sold by the third generation of the family which founded

it in 1934.

Birmingham-based Yard-O-Led broke even in the year to October 31 on turnover of £152,000. This reflected sales of less than 4,000 pens and pencils, many based on Victorian designs, at an average retail price of 56p.

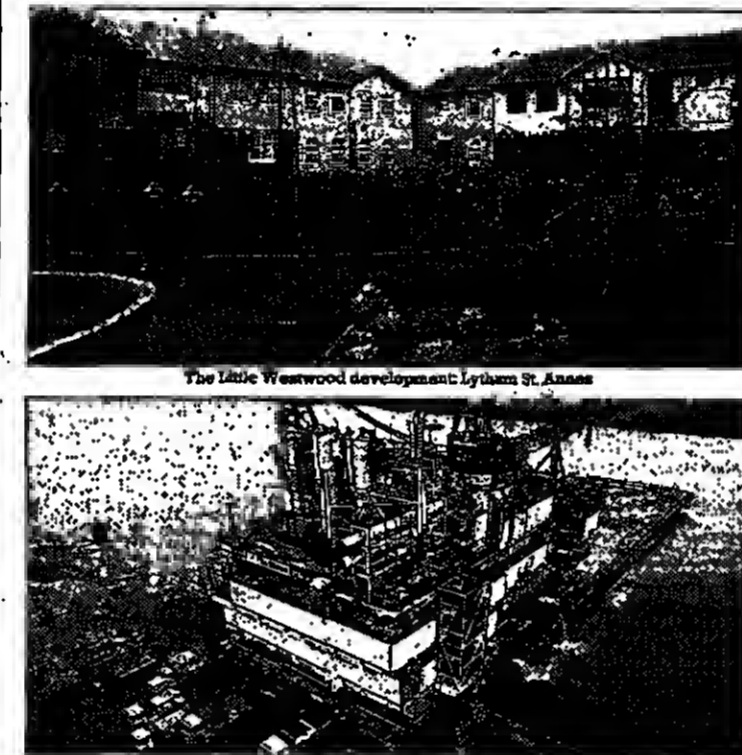
Filofax intends to increase sales using its existing distribution network. It may also introduce new products.

Alva Investment assets downturn

The net asset value of Alva Investment Trust fell to 232.5p in the six months to end-February against 278.9p a year before.

The trust incurred a pre-tax deficit of £4,058 for the period (profit of £18,208). After tax of £11,769 (£9,104), the loss per share came out at 0.5p (earnings of 0.32p).

The interim dividend is maintained at 1.5p.



	Year ended 31 December 1987	Year ended 31 December 1986
	£ millions	£ millions
Turnover	793.6	711.0
Profit before tax	34.5	30.5
Profit after tax	22.2	19.5
Earnings per share	34.5p	30.0p
Dividends per share	13.0p	12.0p

The final dividend of 8.25p will be paid 1 July 1988.

© 1987 was a year in which we produced satisfactory results in line with our expectations and in which strong foundations were laid for more rapid growth in the future. Order books are at a high level throughout the group providing a sound basis for this growth.

Mr J W E Morgan, F Eng, AMEC's chairman

It's been a good year for AMEC. Many major new contracts have started. Our results endorse our operating philosophy. It stems from providing one of the most comprehensive construction and engineering services in the U.K.

AMEC comprises 23 major operating companies, including such renowned names as Fairclough and Press.

Each is individually strong in its sector yet can be called upon to operate in tandem with others in order to tackle the largest of projects. From concept to completion. Our service is unique, because it is this effective co-operation

IT'S BEEN A GOOD YEAR FOR AMEC

ASH & LACY

Preliminary Results

	1987	1986	%
Turnover	£40M	£33M	+20%
Profit before Tax	£4.1M	£3.3M	+26%
Earnings per share	65.6p	46.8p	+40%
Dividend per share	30.0p	24.0p	+25%

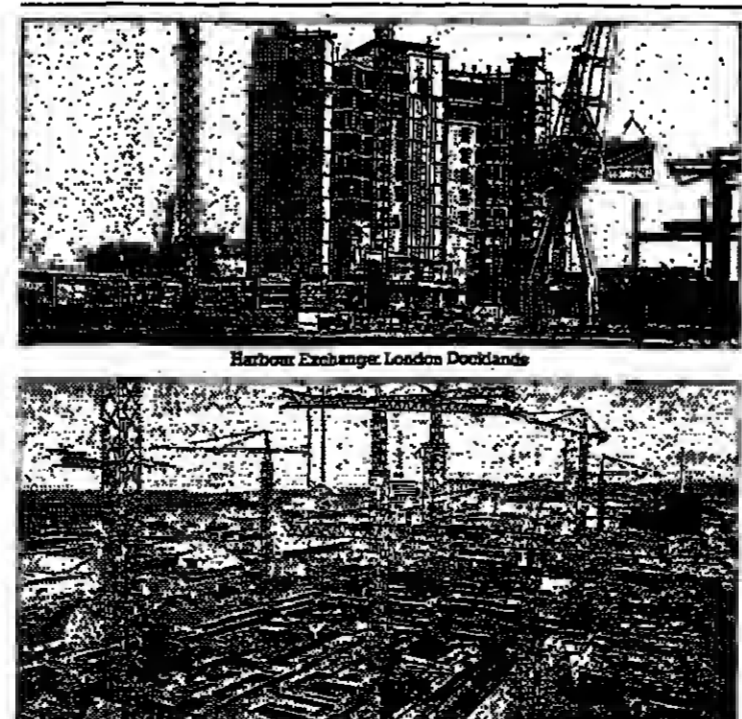
During the year we acquired seven companies and still have cash resources of £3.2M.

1987 has been an outstanding year. I am confident that we will make steady progress in the year to come.

Fane Vernon
Chairman

Galvanisers, metal perforators and expanders.
Manufacturers of metal cladding and storage tanks.
Non-ferrous metals stockholders.

Smethwick, Warley, West Midlands



The THORP complex, Sellafield

between subsidiaries that allows us to offer an extra dimension to our clients.

We intend to continue to develop our property and housing activities and, in addition, explore and progress new opportunities in areas such as industrial and urban renewal. We shall increase our involvement in building services and products, and also further develop our overseas activities.

Overall, we will ensure the continued profitable growth of AMEC.

AMEC p.l.c. 14 South Audley Street, London W1Y 8DP.
Telephone: 01-499 3658.

AMEC p.l.c. Principal operating companies: AMEC Construction Services Limited - AMEC International Construction Limited - AMEC Projects Limited - AMEC Properties Limited - AMEC Regeneration Limited - ADST-AMEC Pty Limited - CV Buchan (Concrete) Limited - Denco Limited - Fairclough Building Limited - Fairclough Civil Engineering Limited - Fairclough Engineering Limited - Fairclough Homes Limited (30%) - Fairclough-Parkinson Mining Limited - Fairclough Scotland Limited - Fire Protection Industries Inc - The Flak Group Inc - Metal and Pipeline Endurance Limited - Press Construction Limited - Press Crislove Limited - James Scott Limited - Robert Watson & Co (Construction Engineers) Limited - Robert Watson & Co (Steelwork) Limited - Wernworth Club Limited

COMMODITIES AND AGRICULTURE

Nickel price falls sharply amid reports on Dominica

BY KENNETH GOODING, MINING CORRESPONDENT

SUGGESTIONS YESTERDAY that Falconbridge, the Canadian natural resources group, had run into more trouble over ferro-nickel shipments from the Dominican Republic did not prevent another sharp fall in the nickel price.

The cash price on the London Metal Exchange lost another \$1,100 a tonne following the \$800 fall on Wednesday. The price has retreated from the \$22,300-a-tonne peak reached on March 28, the highest price ever paid for any metal on the LME, to \$18,250.

There were conflicting reports about the situation in the Dominican Republic, which provides about 5 per cent of the western world's nickel. A dispute over export duties has restricted shipments by Falconbridge's subsidiary, DNF. Reuter quoted Mr John Cieland, Falconbridge Dominicana president, saying the Dominican Republic Government had refused to permit further ferro-nickel shipments.

Natural rubber hits seven-year high price

By Wong Sulong in Kuala Lumpur

NATURAL RUBBER prices have hit a seven-year high on the Malaysian market, but a late wintering compared with the wintering season, when tapping is reduced.

ESS No. 1 rubber, the premium grade, rose to 288 Malaysian cents a kilogram yesterday, the highest level since March 1981.

The International Natural Rubber Organisation's average rubber price was \$47 Malaysian/Singapore cents a kilogram, 5 cents above the must-sell level, reached on March 18.

Under the must-sell level the Inro huffer-stocker manager is obliged to sell rubber. Traders say a main reason for the price surge is the shortage of rubber supplies from Thailand, which is experiencing a late wintering compared with Malaysia and Indonesia.

Hilary Barnes on Booker's acquisition of Daehnfeldt Sowing seeds in tradition and know-how

THERE WAS resentment in Denmark when Booker of the UK, an international food and agricultural business, acquired the equity in Daehnfeldt, a Danish seeds company, last month.

A big piece of an industry of which the Danes have good reason to be proud had passed into foreign control. It had done so amid protest from a local institutional investor, a trade-union controlled investment fund.

The Danes have developed strength in depth in the seed sector, with a strong tradition on farms, in seed-development and processing companies, through to the equipment industry.

Brdr Westrup, from the town of Slagelse, south-west of Copenhagen on the island of Sjælland, is world-leader in making seed-cleaning equipment.

Philippines plans to relaunch Nonoc mine and refinery

BY RICHARD GOURLAY IN MANILA

THE Philippines Government, prompted by the recent surge in nickel prices, is planning to rehabilitate Nonoc Mining & Industrial Corporation's mine and refinery, moth-balled since March 1985.

Department of Natural Resources officials and Mr Johnny Araneta, Nonoc chairman, say Bond Corporation of Australia is close to agreeing a package to buy and rehabilitate the government-owned company.

THE TOTAL value of Philippine mineral exports rose to \$769.32m last year, compared with \$749.82m a year earlier, because of higher world metal prices, the Bureau of Mines and Geo-Sciences said in a report. Reuter reports from Manila.

Export volumes of main metals fell. Gold shipments fell to 33,589 kg from 35,315 kg in 1986; copper concentrates to 332,134 tonnes, from 350,862 tonnes; copper cathodes to 103,021 tonnes, from 127,288 tonnes; and silver to 46,096 kg, from 48,815 kg.

Months after a three-month rehabilitation programme, mining analysts regard that target as highly optimistic and say it could take years to get the operation back into shape.

Last year Nonoc was transferred for disposal to the APT from the two state banks which took it over in 1984. However, any deal would have to be approved unanimously by a committee made up of the secretaries of finance, trade, economic planning, justice and the budget.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns: Commodity, Price, Change. Includes Aluminum, Copper, Tin, Zinc, Lead, Silver, Gold, Platinum, Palladium, Uranium, and various oils.

COCOA

Table with columns: Cocoa, Price, Change. Includes Cocoa beans, Cocoa paste, Cocoa butter.

IRON ORE

Table with columns: Iron Ore, Price, Change. Includes Iron ore, Iron scrap.

US MARKETS

Table with columns: Commodity, Price, Change. Includes Wheat, Corn, Soybeans, Cotton, and various oils.

PRECIOUS METALS

Table with columns: Precious Metals, Price, Change. Includes Gold, Silver, Platinum, Palladium.

CRUDE OIL

Table with columns: Crude Oil, Price, Change. Includes Crude oil, Heating oil, Gasoline.

COFFEE

Table with columns: Coffee, Price, Change. Includes Coffee beans, Coffee powder.

CHICAGO

Table with columns: Commodity, Price, Change. Includes Soybeans, Corn, Wheat, and various oils.

SPOT MARKETS

Table with columns: Commodity, Price, Change. Includes Dubei, Brent, W.T.I., Oil products, Premium Gasoline, Gas Oil, Heavy Fuel Oil, Naphtha, Petroleum Argus Estimates, Other, Gold, Silver, Platinum, Palladium, Aluminum, Copper, Lead, Nickel, Tin, Zinc, Uranium, and various oils.

SURINAM

Table with columns: Surinam, Price, Change. Includes Surinam, Aluminum, Copper, Lead, Nickel, Tin, Zinc, Uranium, and various oils.

POTATOES

Table with columns: Potatoes, Price, Change. Includes Potatoes, Potato flour.

SOYBEAN MEAL

Table with columns: Soybean Meal, Price, Change. Includes Soybean meal, Soybean oil.

NEW YORK

Table with columns: Commodity, Price, Change. Includes Gold, Silver, Platinum, Palladium, and various oils.

SUGAR

Table with columns: Sugar, Price, Change. Includes Sugar, Sugar alcohol.

COTTON

Table with columns: Cotton, Price, Change. Includes Cotton, Cottonseed oil.

WHEAT

Table with columns: Wheat, Price, Change. Includes Wheat, Wheat flour.

BARLEY

Table with columns: Barley, Price, Change. Includes Barley, Barley malt.

GRAIN

Table with columns: Grain, Price, Change. Includes Grain, Grain products.

FRUIT AND VEGETABLES

Table with columns: Fruit and Vegetables, Price, Change. Includes Fruit, Vegetables.

IRON ORE

Table with columns: Iron Ore, Price, Change. Includes Iron ore, Iron scrap.

PRECIOUS METALS

Table with columns: Precious Metals, Price, Change. Includes Gold, Silver, Platinum, Palladium.

CRUDE OIL

Table with columns: Crude Oil, Price, Change. Includes Crude oil, Heating oil, Gasoline.

COFFEE

Table with columns: Coffee, Price, Change. Includes Coffee beans, Coffee powder.

CHICAGO

Table with columns: Commodity, Price, Change. Includes Soybeans, Corn, Wheat, and various oils.

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EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Stock. Includes sub-sections for May 88, Apr 88, and Mar 88.

TOTAL VOLUME IN CONTRACTS: 52,724

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Table listing various banks and their base lending rates for different terms and currencies.

WORLD BANKING

The Financial Times proposes to publish this survey on:

18th May 1988

For a full editorial synopsis and advertisement details, please contact:

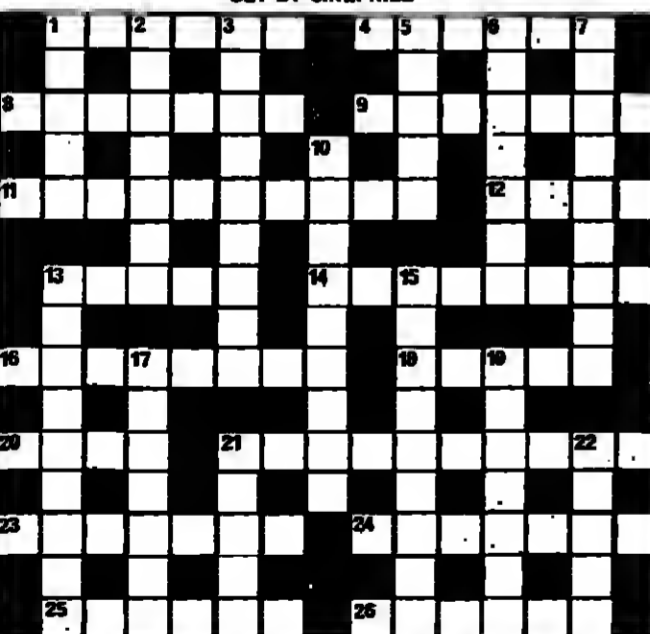
KAY CRELLIN on 01-248 3000 ext 3230

or write to her at:

Bracken House 10 Cannon Street London EC4P 4BY

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

FT CROSSWORD No.6,600 SET BY CINEPHILE



- ACROSS: 1 Work on this side of the puzzle (6) 2 Perhaps it rose on this side of the puzzle (6) 3 Illegally placed on the other side of the car? (7) 4 North Sea the one who is blowing to summer (7) 5 1301 royal changes like a picture round walls (10) 6 Round projection of world without beginning (6) 7 Piece of ploughland under increased pressure? (6) 8 Approach to partake the other side of the car? (4,4) 9 Worm that turned in Staffordshire (6) 10 Stuck up sticking out (6) 11 Wine on this side (6) 12 Braxton mess fruit for suppliers of wine (5-7) 13 Generous, perhaps on this side (7) 14 New word gaining currency (7) 15 A word on this side ahead (6) 16 Skilled article on this side ahead (6) 17 One on this side sets foot in grassland (6) 18 In Victorian dress the bosom was prominent (7) 19 Combinations maybe endure war? (6)

SUMMER SOLSTICE I A R C P A N N E R I A G R D I L L H E A D S T R O N G A E O R A O E R O I S T E R N E R I T E D O N T I N T A E A T I O N S T O U N T I H A S E B E R R Y A B L E H G N U L O R A B I D E C A S T I G A T E S V S E H N R A T R E A S U R E S E N D I A L

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data. Includes sub-sections for CC Unit Trusts Limited, Fidelity Investment Services Ltd, and others.

Chance 130

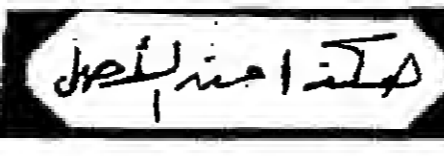
FT UNIT TRUST INFORMATION SERVICE

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Main table containing unit trust information, organized into columns with headers like 'Fund Name', 'Investment Objective', 'Assets', and 'Performance'. Includes a large 'INSURANCES' section in the middle.

INSURANCES

Continued on next page



FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Manager, and other details.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, Americans, Money Market Trust Funds, and Money Market Bank Accounts.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock name, price, and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for stock name, price, and change.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical companies with columns for stock name, price, and change.

ENGINEERING

Table listing engineering companies with columns for stock name, price, and change.

ENGINEERING

Table listing engineering companies with columns for stock name, price, and change.

ENGINEERING - Contd

Table listing engineering companies with columns for stock name, price, and change.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other companies with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for stock name, price, and change.

INDUSTRIALS (Misc.)

Table listing industrial companies with columns for stock name, price, and change.

INDUSTRIALS (Misc.) - Contd

Table listing industrial companies with columns for stock name, price, and change.

INDUSTRIALS (Misc.) - Contd

Table listing industrial companies with columns for stock name, price, and change.

INSURANCES

Table listing insurance companies with columns for stock name, price, and change.

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LONDON SHARE SERVICE

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INSURANCES - Contd

Table listing insurance companies and their share prices.

LEISURE

Table listing leisure-related companies such as hotels and resorts.

MOTORS, AIRCRAFT TRADES

Table listing companies in the motor and aircraft sectors.

Commercial Vehicles

Table listing commercial vehicle companies.

Components

Table listing automotive component companies.

Garages and Distributors

Table listing garage and distributor companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

SHOES AND LEATHER

Table listing shoe and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table listing property-related companies.

SHIPPING

Table listing shipping companies.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

Investment Trusts

Table listing investment trusts.

TRUSTS, FINANCE, LAND

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Continuation of trusts, finance, and land companies.

TEXTILES - Contd

Continuation of textile companies.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

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Investment Trusts

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TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

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TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OIL AND GAS

Table listing oil and gas companies.

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OIL AND GAS

Table listing oil and gas companies.

MINES - Contd

Continuation of mining companies.

MINES

Table listing mining companies.

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Stock Exchange dealing classification is indicated to the right of security name or Alpha, Beta, Gamma. Index notation indicated, prices and set dividend are in pence and denominated in 250. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E ratios are calculated on 'net' distribution basis, earnings per share being computed on profit after tax and minority A/C where applicable; bracketed figures indicate 10 per cent or more difference if calculated on 'gross' distribution. Covers are based on 'maximum' distributions; this compares gross dividend cover to profit after tax, excluding exceptional provisions but including estimated extent of distributable A/C. Yields are based on midday price per share adjusted to A/C of 25 pence and allow for value of declared dividends.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options with 3-month call rates.

A selection of futures traded is given on the London Stock Exchange Futures Page. This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £240 per annum for each security.

WORLD STOCK MARKETS

Table of world stock markets including Australia, France, Germany, Italy, Japan, and others. Columns include country, date, and various stock indices.

Table of world stock markets including Canada, New York, and other regional indices. Columns include country, date, and various stock indices.

Table of world stock markets including New York active stocks and various regional indices. Columns include country, date, and various stock indices.

Table of world stock markets including Canada and other regional indices. Columns include country, date, and various stock indices.

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Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered every working day in Norway' and contact information for Oslo (02) 684020.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

Continued on Page 43

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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P/E, High, Low, and Change. Includes sub-sections for Continued From Page 42 and various stock listings.

Table of AMEX Composite Closing Prices. Columns include Stock, P/E, High, Low, and Change. Includes sub-sections for various stock listings.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Sales, High, Low, and Change. Includes sub-sections for various stock listings.

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AMERICA

Rally falters as motionless dollar revives worries

Wall Street

THE RALLY on Wall Street ground to a halt yesterday as the dollar failed to make further progress on the foreign exchanges and investors slid back into a nervous, listless mood.



hullish expectations and GE's shares declined 1/4 to \$41 1/2. Other technology stocks also remained in the doldrums, with IBM falling 1/4 to \$109 1/2 and Digital Equipment moving back \$1 1/2 to \$104 1/2.

Among the speculative stocks, Irving Bank jumped \$3 1/2 to \$67 1/2 in response to the rights issue announced in London by Barclays Bank.

Canada

SHARE prices in Toronto posted a small gain in active trading as golds, base metals and energy issues tugged the market higher.

The composite index, which had slipped about five points in earlier trading, gained 9.5 to 3,589.5 as advances outweighed declines by 461 to 373 on turnover of 29.2m shares.

Among other active, Polysar Energy rose 1/4 to 21 1/2, Nova Corp slipped 1/4 to 11 1/2 and Canadian Pacific was unchanged at 24 1/2.

Among golds, Hemlo Gold firm 1/4 to 15 1/2, Lac Minerals rose 1/4 to 14 1/2 and Placer Dome advanced 1/4 to 16 1/2.

SOUTH AFRICA

GOLD SHARES declined in line with the fall in the bullion price to below \$450 and despite a weaker financial rand.

Mining financial Anglo American shed 23 to R48, while Rustenburg Platinum shed 65 cents to R327 1/2 and De Beers was steady at R31.

Nikkei hits record high of 26,769 in surging volume

ASIA

Tokyo

STABLE foreign exchange markets and the overnight rise on Wall Street helped take share prices to a record high in Tokyo yesterday, making it the first stock market in the world to reach a new peak since the October 19 crash.

The Nikkei average finished 258.05 higher at 26,769.23, beating the previous high of 26,646.43 reached on October 14. The index fluctuated between 26,527.26 and 26,780.68 during the day.

Turnover jumped from the previous day's 1.91bn to 1.88bn shares with advances outnumbering declines by 455 to 429, and 145 issues unchanged.

The key index, which tumbled to 21,036.75 on November 11 in the wake of Black Monday, has since regained a sizeable 27 per cent, or 5,732.46 points.

Leading brokerages were extremely optimistic about the market outlook, sharing the view that the upsurge reflected Japan's strong economic fundamentals.

Given robust corporate earnings and the favourable stock supply-demand situation, the hellwether index should exceed 28,000 by the end of the year, they predicted.

The strong rally was prompted by demand from securities companies, business corporations and individual investors.

Institutional investors continued to keep a low profile. A portfolio manager at one big trust bank said the firm was planning

to launch full-scale stock investment after a correction to the record-breaking surge.

The market was lifted largely by high-technology stocks and financials, aided by the dollar's rebound above mixed overseas markets and the overnight rise in New York.

Mitsubishi Electric, the third most active stock with 127.8m shares traded, advanced Y24 to Y778. Matsushita Electric Industrial, sixth busiest stock with 93.3m shares, climbed Y100 to Y2,840, nearing its all-time high of Y3,870.

In the financial sector, Sumitomo Bank and Fuji Bank strengthened Y80 each to Y3,760 and Y3,460, Tokio Marine and Fire Insurance Y30 to Y2,100 and Nomura Securities Y60 to Y4,440.

In giant-capitals, Nippon Steel, the most active stock with 213m shares, added Y1 to Y491 and Ishikawajima-Harima Heavy Indus-

tries Y9 to Y896. Mitsubishi Heavy Industries, second busiest with 189.4m shares, gained Y28 to a record Y743.

Bonds moved widely in dealer-led speculative trading. The yield on the benchmark 5.0 per cent government bond maturing in December 1997 fell briefly in the morning but it later turned up in block trading on selling by dealers, finishing at 4.250 per cent from Wednesday's 4.215 per cent.

In Osaka, share prices continued steady gains on buying of export-oriented issues, with the Osaka Securities Exchange average climbing 218.54 to 26,806.61. Volume increased by 30.4m shares to 173.7m.

Hong Kong a sharp boost, with the Hang Seng index posting its largest daily rise since January.

The index added 68.52, or 2.6 per cent, to 2,623.08, led by the buoyant property sector.

Hutchinson's HK\$4.38bn government contract helped it rise 25 cents to HK\$8.70. Hongkong Land, which topped the most active list, put on 20 cents to HK\$8.10.

SENTIMENT was hit by the fall in the international gold price and lower commodity prices, keeping share price rises in check.

The All Ordinaries index rose 5 to 1,412.6 with greatest demand for entrepreneurial, retail and banking stocks.

The fall in the gold price to \$47.50 an ounce left Gold Mines of Kalgoolie 1 cent lower at A\$1.77 and Renison Goldfields off 10 cents at A\$6.50.

Trading remained relatively quiet, with small investors the main actors as institutions stood back amid uncertainty over the political situation in Malaysia.

Malayan United Industries was boosted by a block deal of 1.73m shares at S\$1.44, rising 15 cents to S\$1.59 on a volume of about 2.1m shares.

SINGAPORE SPECULATIVE buying and bargain hunting in Singapore followed overnight gains on Wall Street and in Tokyo, and the Straits Times Industrial index rose 11.78 to 946.90.

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Alan Friedman on where the real action is

Big players who make Milan an after-hours affair

IN ITALIAN financial circles they are known as the *manco forte*, or strong hands.

The reference is to the handful of powerful institutions whose often decisive role in official share dealing on the Milan bourse and in block trading outside the exchange has an enormous impact on prices.

It is estimated that between 60 and 80 per cent of share transactions take place outside the official market.

The big players, including banks such as Banca Commerciale Italiana or Banca Nazionale del Lavoro, operate in what one stockbroker called "another dimension".

And they frequently operate in the after-hours market in Milan, meaning the official share index is not necessarily the most accurate indicator.

From a year's low point of 423.91 on February 9, the ICI or Comit index has risen 23 per cent in often volatile trading, reaching \$2.02 yesterday.

While in the official bourse brokers follow the anachronistic ritual of an open call auction, taking the 320 quoted shares one by one, starting at 10am and continuing for nearly four hours, much of the real action is elsewhere.

The Consob, Italy's stock market regulatory authority, is trying to bring order to the Milan bourse but has done little to prove it has real teeth.

Milan is a two-tier market. The top 10 blue chips, such as Fiat, Generali, Olivetti and Fininvest, are the most actively traded and prices are made before, during and after the official fixing. This before and after-hours trading can account for half of total blue chip volume.

But for most other shares, it is a one-off call. Moreover, trading is so thin for smaller companies that one order can move the price significantly, especially considering that many companies have only 25 per cent of their equity floating on the market.

The Consob says it wants share trading to be concentrated in the official bourse. It also says it wants more transparency and disclosure by companies involved in major share operations or mergers, and legislation to crack down on insider trading in Milan, which remains rampant.

But under current rules companies and market operators are not subject to serious sanctions. Milan remains severely under-regulated.

Mr Franco Alethi, along with other brokers, is sceptical about the Consob's ability to act quickly. "The problem is that the big block trades among a handful of players away from the market can determine the price in the market and that means the market mechanism is distorted and small investors are left on the sidelines," he says.

It is a waste of time to talk about clamping down on insider trading "until we have more basic regulation."

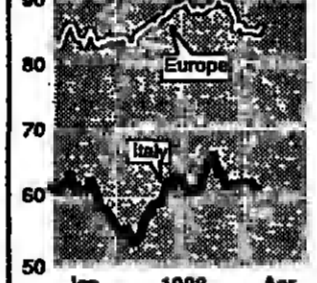
As for greater transparency, brokers still rail against the damage to small shareholders' interests that is implicit in a controversial deal that will see the Ferruzzi group taking control of Montedison's profitable META financial services subsidiary.

Montedison's 100,000 small shareholders will be offered the opportunity to buy back control of META, along with other Ferruzzi group holdings, by purchasing soon-to-be quoted Ferruzzi shares. Small investors, say critics of the bourse, are merely being taken along for the ride.

All of this could have been glossed over two years ago, when the Milan stock exchange was booming capital gains were high and foreign investors had placed as much as \$3bn in Italian equities.

But as Mr Alessandro Valeri of Sige, the merchant bank, points out: "The foreigners last showed real interest a year ago. Now they're buying very selectively and there is not much volume."

FT-A World Indices



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Gains checked by weak NY start

EUROPE

THE UPWARD swing continued around Europe yesterday on optimism generated by overnight gains on Wall Street and in Tokyo. But most bourses closed off the day's highs after New York opened mixed yesterday.

FRANKFURT finished higher, buoyed by increased confidence after rises in New York and Tokyo, with the FAZ index adding 3.87 to 469.59.

The firmer dollar, fixed in Frankfurt at DM1.634 against DM1.678 on Wednesday, helped boost demand. But gains were kept in check by some concern that the rise in other main markets might not be maintained, according to analysts.

Daimler-Benz continued to rise on overseas buying, as well as some domestic demand. The stock added DM12.10 to DM430, giving it a jump of 6 per cent over the past two days. Commerzbank, which denied rumours of a joint venture with Dutch insurance company Amey and Copenhagen Handelsbank, put on DM4 to DM228.50, while Dresdner climbed DM4.80 to DM261.

Chemicals company BASF ended 20 pips lower at DM247 after news of a 1.5 per cent fall in group pre-tax profits.

Bonds edged up by about 5 pips with the 6 1/2 per cent 1990 unit yielding just under 6.23 per cent.

PARIS moved upwards in relatively thin volume with caution setting in after Wall Street opened mixed. Investors remained reluctant to take aggressive positions before the election. The CAC General index put on 4.33 to 295.5.

The session saw a rash of results. Elf Aquitaine added FF5 to FF272 on news of slightly lower annual profits, as were expected, and retail group Carrefour, which reported a 13 per cent rise in quarterly sales, put on FF77 to FF2,105.

Hotel group Accor rose FF11.40 to FF353.40, reporting a 44 per cent profit rise for 1987. Suez, which launched a FF4.8bn capital increase to help in its fight for Societe Generale de Belgique, fell FF5 to FF228.

The construction sector saw some of the larger gains after recent selling pressure, with Spie Batignolles rising FF13, or 6 per cent, to FF234.

MILAN was boosted by signs of progress in forming a new government and by strong gains in Tokyo and New York overnight. Volume picked up and the ICI index rose 8.85 to 522.02, with leading stocks posting further gains in after-hours trading.

Chemical Montedison was but off the day's peaks after Wall Street's uncertain opening, with the ANP-CBS general index closing 3.5 higher at 250.4 - just 2.4

London

DOLLAR earning stocks in London were boosted by speculation that the Group of Seven countries planned a new floor for the US currency against the yen.

The market seemed untroubled by the \$21m Barclays Bank rights issue. The FT-SE 100 index rose 16 to 1,761.

higher annual profits, added £80 to £9,550. Fiat common shares put on £177 to £9,256 before racing on to £9,370 in after-hours trading.

ZURICH rallied on the back of the stronger dollar and Tokyo's record close but caution crept in later in the day, reducing early gains.

The Swiss index rose 4.1 to 827.8 in moderate turnover, with limited institutional demand.

Alusuisse continued to benefit from news of its record investment programme and expectations of good results this year, with its bearers rising SF21 to SF260 and its registered shares adding SF8 to SF232.

AMSTERDAM ended higher but off the day's peaks after Wall Street's uncertain opening, with the ANP-CBS general index closing 3.5 higher at 250.4 - just 2.4

MADRID was buoyed by firmer international markets and a one point cut in the three-year Treasury Bill rate, with the general index adding 2.3 to 274.09.

All these securities having been sold, this announcement appears as a matter of record only.

New Issue March, 1988

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Table with columns for National and Regional Markets, Thursday April 7 1988, Wednesday April 6 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, and Europe/Pacific Basin indices.

Base index: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (HS Index), 90.771 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987